

Pacific 2020

BACKGROUND PAPER: TOURISM

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Pacific 2020 Background Paper: Tourism

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Disclaimer

This paper is one of a series of nine background papers written for the Pacific 2020 project, which was conducted by the Australian Agency for International Development (AusAID) in 2005. Pacific 2020 examines various components of the economies of the Pacific, Papua New Guinea and East Timor. It aims to generate practical policy options to contribute to stimulating sustainable, widely shared economic growth in these countries.

This paper is based on the discussion at a round table meeting of regional practitioners and experts, which occurred in June 2005. The findings, interpretations and conclusions expressed in this paper are based on the discussion at this round table, and from a subsequent peer review process. They are not necessarily the views of any single individual or organisation, including AusAID, the Pacific 2020 Steering Group, contributing authors, round table participants or the organisations they represent.

More information on Pacific 2020 is available online at www.ausaid.gov.au.

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INTRODUCTION

THE BENEFITS OF TOURISM

The benefits of tourism extend well beyond its direct economic contribution.

For many Pacific island countries, tourism can offer a sustainable alternative to logging, mining and other extractive industries, if it is carefully managed. Tourism makes a significant contribution to most Pacific economies and is encouraged by governments to boost foreign exchange and employment. In some countries, tourism contributes almost half of the country's gross domestic product, significantly augmenting the tax base and supporting government revenue through other fees and charges.

The benefits of tourism extend well beyond its direct economic contribution. It provides income for infrastructure development, supports facilities and services for local communities, develops a local skills base and encourages conservation of cultural and natural assets. Tourism also provides an opportunity for people to stay on their land and in their own communities.

THE COSTS OF TOURISM

These benefits do not accrue automatically and there are many documented examples of tourism developments in the Pacific that are poorly managed and have highly negative impacts. The economic benefits of tourism are often overestimated as the full cost of tourism-related infrastructure and the level of economic leakage are difficult to calculate.

The social and environmental costs of tourism need to be taken into account.

The social costs of tourism are even more difficult to quantify. It can create stress and conflict within communities, and shiftwork can affect family life. If local customs are commercialised for visitors they may no longer be seen as authentic by the visitor or the host community. Tourism may increase a community's involvement and dependence on national and international economic systems, with a consequent loss of autonomy. It can also affect traditional political hierarchies by introducing a new range of economic activities and community issues.

Tourist activity can place additional stress on the natural environment through, for example, increased use of power and water, demands on sewage treatment and landfill, and unsustainable farming and fishing practices. The Pacific is also noted for its biological diversity, marine biodiversity and healthy habitat for many globally threatened species. These assets underpin the tourism industry, and significant degradation of the environment will negatively affect the industry.

The social and environmental costs of tourism cannot be externalised without creating serious financial impacts on national governments, local communities and

ultimately on the industry itself. Air and water quality, the availability of affordable nutritious fresh food, access to health care, and the safety of streets and cities should be enhanced not compromised by tourism activity.

CROSS-SECTORAL LINKS

Tourism has the capacity to contribute to the objectives of other sectors.

Tourism has the capacity to contribute to the objectives of some of the other sectors that have been addressed in the Pacific 2020 project. It can create new markets and new opportunities in agricultural policy and crop diversification, offers an alternative source of foreign income, and supports private sector development and public sector reform. Conversely, the links between tourism and other activities can transmit negative influences and values such as gambling, alcohol consumption and over-consumption of resources such as water and power.

Governments could become more meaningfully involved in tourism by ensuring that they have current national tourism plans and policy documents, by including tourism representatives in policy consultations and by developing mechanisms for interdepartmental and intergovernmental communication to consider tourism issues holistically. A cross-sectoral approach to planning is likely to result in better outcomes for all sectors of an economy or society.

Tourism can also be managed to deliver specific outcomes and many activities have been developed to diversify the economic opportunities available to, for example, remote communities and those with specific natural or cultural assets.

RECENT TOURISM ACTIVITY

Tourists are drawn to the Pacific from a range of northern and southern hemisphere markets.

Countries such as Cook Islands, Samoa and Tonga have enjoyed steady growth in tourist arrivals since 1999, whereas arrivals figures for French Polynesia and New Caledonia have been relatively stable (table 1). Vanuatu has experienced marked growth since 2003. The poor results for Fiji and Solomon Islands between 2000 and 2003 were due to political instability around the year 2000. While the industry is not likely to recover in Solomon Islands in the near future following recent instability, the outlook for Fiji is more positive.

Although it is not immediately evident from table 1, tourism activity during the period 1999–2004 may also have been affected by events outside the region such as a substitution effect from the staging of the 2000 Olympic Games in Sydney, the events of 11 September 2001 and the SARS outbreak.

Tourists are drawn to the Pacific from a range of northern and southern hemisphere markets. For example, approximately half of all arrivals in Fiji are from Australia and New Zealand whereas almost 60 per cent of arrivals in French Polynesia are from the United States and France. A large proportion of visitors are on package tours.

Fiji, French Polynesia and New Caledonia are the main tourist destinations.

Table 1 demonstrates the dominance of Fiji, French Polynesia and New Caledonia as tourist destinations. By contrast, countries such as Kiribati, Tuvalu and Niue receive very few visitors and their tourism industries are constrained by poor air transport services, the high cost of access and the low levels of awareness of those destinations in the marketplace.

TABLE 1 VISITOR ARRIVALS TO SELECTED PACIFIC ISLAND COUNTRIES

	1999	2000	2001	2002	2003	2004
Cook Islands	55 599	72 994	74 575	72 781	78 328	83 333
Fiji	409 995	294 070	348 014	397 859	430 800	507 000
French Polynesia	210 800	233 326	227 658	189 003	212 767	211 893
Kiribati	5 104	4 377	4 831	4 288	3 676	2 882
New Caledonia	103 352	109 587	100 515	103 933	101 983	99 515
Niue	1 778	2 010	2 069	1 632	2 758	2 558
Papua New Guinea	67 357	58 429	54 280	53 482	56 185	59 022
Samoa	85 124	87 688	88 263	88 960	92 313	98 024
Solomon Islands	17 395	10 134	3 418	4 508	6 000	6 000
Tonga	30 883	34 694	32 386	36 585	40 110	41 208
Tuvalu	770	1 504	976	1 236	1 496	1 214
Vanuatu	50 746	57 591	53 300	49 463	50 400	60 611
Total	1 038 903	954 260	990 285	1 003 730	1 076 816	1 173 260

Note: The 2003 and 2004 arrival figures for Solomon Islands are estimates by the South Pacific Tourism Organisation. The 2004 arrival figures for Fiji are Fiji Visitor Bureau estimates. The 2004 annual visitor arrivals for Niue and Kiribati are provisional figures. Source: South Pacific Tourism Organisation.

THE TOURISM OUTLOOK TO 2020

The long-term trend has been gradual, positive growth.

Although tourism activity in the Pacific has varied considerably in recent years, the long-term trend has been for gradual, positive growth. It is likely that the underlying trend will continue, with some variations caused by natural and man-made disasters, the threat of terrorism, the instability of governments, new technology or changes in policy. These events cannot be predicted accurately.

The World Tourism Organization and South Pacific Tourism Organisation (SPTO) forecast tourism growth of between 5 and 8 per cent in the short term. However, no forecast is available for the South Pacific to 2020. Projected growth in tourism activity assumes that the region will remain politically stable and free of natural disasters, that the policy environment will be supportive, with planned infrastructure and tourism investment for the region fulfilled, and that there will be continued economic growth in major source markets.

The market mix is likely to have changed considerably by 2020.

The market mix is likely to have changed considerably by 2020. China recently granted Approved Destination Status to Fiji and Vanuatu, allowing its citizens to travel to those destinations for holidays. This policy is likely to be extended to other

Pacific island countries in the future. Countries with such status usually experience a rapid increase in arrivals from China if airline and other services are provided to meet the demand. Shopping and casino gambling are recreational pursuits often associated with the Chinese market. However, these opportunities are limited in Pacific island countries. Some community members consider the latter to be culturally inappropriate, an issue that could stimulate debate within the industry and community. Improved economic conditions in India indicate its potential as another emerging market and it is likely that visitors from India will represent an increased share of the total market in 2020. However, the impact of these new markets depends on an enlarged capacity in accommodation and air services, and the appeal of the destination to these emerging markets.

The internet will continue to transform the way in which tourism business is conducted.

The internet is no longer only a source of information. It is now a vital marketplace where product details are displayed, prices are compared and sales are made. The internet has empowered consumers to book tourism activities directly with suppliers, reducing costs and commissions paid to intermediaries as well as expanding choices. The timeframe for advanced bookings has been reduced and some independent travellers now book accommodation and tours after they have left their home base. This electronic marketplace also delivers market research to operators through databases and customer relationship management systems and is a conduit for professional development through access to industry associations, governments and training institutions. The internet will continue to transform the way in which tourism business is conducted, especially for intermediaries such as travel agents.

The rising cost of fuel and airline operations will continue to affect tourist frequency, accessibility and routes chosen.

Low cost carriers have increased the volume of traffic on some routes and changed the market mix from a high percentage of package visitors to an increasing number of independent travellers who develop their own itineraries. In some instances, the increased frequency of services has led to a reduction in the duration of stay. The rising cost of fuel and airline operations will continue to affect frequency, accessibility and routes chosen by Pacific carriers.

Changes will also occur in the product mix to meet the demands of a changing market. These could include activity-based and adventure tours, community-based ecotourism and products associated with specific natural or cultural assets.

The period to 2020 is an extremely long forecasting horizon for tourism. The outlook could change considerably through social, technological or environmental changes. Both industry and government must remain flexible to manage change when it occurs.

For example, few if any Pacific island countries will have the infrastructure or capacity to absorb the visitor numbers associated with the new Airbus A380. Its introduction on long-haul routes could lead to a reduction in stopover traffic offered as part of many tickets or, alternatively, to an increase in arrivals as the number of long haul air passenger movements increases. Short-range Boeing or Airbus aircraft

will still play a major role as preferred equipment for the region, given their suitability for the regional infrastructure and the level of demand.

Policies to protect and further enhance environmental tourism will bring substantial economic benefits.

Environmental assets underpin the tourism industry and significant degradation of the natural resource base will negatively affect the industry. If carefully managed, tourism will provide a source of income to conserve natural and cultural resources. However, markets respond quickly to adverse publicity. Policies to actively promote sustainable development that protect and further enhance environmental tourism will bring substantial economic benefits to the region.

The region is subject to a range of natural disasters such as earthquakes, tsunamis and volcanic eruptions. Any one of these events could have long-lasting negative impacts on the host community and outlying areas.

These issues will influence global and regional tourism flows and affect all Pacific island countries to some extent. However, the impacts will vary according to each country's geographical characteristics and relative dependence on tourism.

STRATEGIC POLICY DIRECTIONS FOR TOURISM DEVELOPMENT TO 2020

Products and experiences that differentiate destinations will add to the region's opportunities and competitive advantage.

There are opportunities to develop a wide spectrum of tourist experiences across the Pacific using many different business models. Development of a combination of products and experiences that differentiate destinations from each other will add to the region's opportunities and competitive advantage.

The following issues have been identified for further consideration:

- > ecotourism and community-based initiatives
- > education and training
- > data and statistics
- > marketing
- > investment
- > cross-sectoral and regional issues
- > air transport and infrastructure.

ECOTOURISM AND COMMUNITY-BASED INITIATIVES

Tourism development in the Pacific ranges from large-scale luxury integrated resorts to community-based ventures and home stays. Different models have different impacts on the environment, ways of life, employment opportunities, women and family life for any community.

To answer the key questions – what constitutes appropriate development and how can tourism opportunities be optimised to take into account the unique features and population of each country – requires some complex issues to be addressed. Some

stakeholders may consider the number of tourist arrivals or the size of the tourism plant as a measure of appropriate development. Others value economic impacts, while some seek to develop opportunities for locally produced products and services that spread benefits. Another measure of appropriate activity may be the rate of participation of local people either for economic gain or to enhance the visitor experience since indigenous participation supports and gives meaning to tourism.

Communities should make informed choices about their engagement with tourism.

Communities should make informed choices about their engagement with tourism. They need to be involved in the planning and decision process through education and awareness, genuine consultation and the provision of unbiased information so that they are supported in their choices.

The term ecotourism refers to more than tourism activity based on nature or culture. Ecotourism involves education and interpretation of the environment, requires ecologically sustainable management, involves local populations and must provide an appropriate return to the community and support the long-term conservation of the resource. Ecotourism, based on sustainable practices, the use of recyclable or renewable technologies and support for local communities, is an ideal complement to existing tourism activity in many Pacific destinations, especially atoll environments and small island states.

Ecotourism can deliver benefits across the industry by extending the duration of stay, increasing the demand for existing services, creating demand for new products and enhancing the Pacific holiday experience. The introduction of eco-tours to a destination will generate additional business for local transport operators, restaurants, laundries, guesthouses and hotels.

There are, however, a number of constraints to the successful development of ecotourism activity. Globally, competition is fierce as many destinations have developed strong reputations in ecotourism and others wish to emulate their success. Ecotourism facilities often involve high establishment costs because renewable technologies such as solar power, micro-hydro or composting toilets are more expensive to install than standard products. In addition, the market for ecotourism represents a relatively small proportion of global tourism activity and it is difficult to reach.

The natural and cultural assets of the region are ideally suited to ecotourism.

However, further development of ecotourism would enhance the product mix available in all Pacific island countries. The natural and cultural assets of the region are ideally suited to ecotourism activities, which can be developed for inclusion in package holidays as well as for independent travellers.

Additional support for small island states and less accessible destinations

Some Pacific countries have considerable experience and capacity in planning and managing tourism. Destinations such as Fiji, Tahiti and New Caledonia are widely known in the marketplace and host the majority of visitors to the Pacific. By contrast,

countries such as Tuvalu, Kiribati, Niue and Palau attract relatively few visitors and have smaller budgets, fewer skilled tourism workers and less experience in management. Consequently, staff training costs are higher because it is not possible to support full-time trainers or institutions, there are fewer career paths and aviation services are infrequent.

In addition to a paucity of direct flights from major markets to small island destinations, accommodation infrastructure is limited. For example, Niue and Tuvalu have only one hotel and a few guesthouses. Atoll environments have finite limits to their resources and may not be able to support the water and power requirements associated with large hotel developments. A further limitation is that atolls often have limited recreational opportunities and few unique attractions.

Encourage tourists to take excursions or stopovers in smaller islands as part of their Pacific holiday experience.

One solution is to identify and develop unique attractions for individual destinations, where possible. These could include whale calling, pearling, unusual diving opportunities or historic or archaeological sites. Such attractions could then form the basis of subregional strategies designed to encourage tourists to take excursions or stopovers in smaller islands as part of their Pacific holiday experience. Differentiating destinations from each other will add depth, opportunity, interest and competitive advantage for the region and avoid a monocultural regional product.

The relative lack of development and the low levels of established infrastructure is not necessarily a disadvantage for tourism. Experiences and opportunities that are unique and represent value for money can attract a market seeking relatively 'unspoilt' destinations and authentic cultural interactions.

Possible policy responses

- > Document and disseminate case studies of successful ecotourism and community-based projects and of lessons learned from the region and globally.
- > Undertake market research to identify potential markets and marketing strategies for ecotourism ventures.
- > Develop strategies to encourage the existing market to include eco-tours and activities as part of their holiday experience.
- > Develop manuals on appropriate technologies for Pacific island countries, especially atolls.
- > Consider building a revolving fund for communities to install renewable technologies that can be repaid from tourism revenue.
- > Support small island states and communities residing on atolls to identify and develop unique attractions that can be incorporated into national and industry tourism plans.

EDUCATION AND TRAINING

There is a shortage of skilled staff and trained managers in some parts of the Pacific.

A trained workforce with strong customer orientation is essential to deliver high quality products and tourist experiences. There is a shortage of skilled staff and trained managers in some parts of the Pacific and industry training will remain an important issue as the numbers of hotel rooms and tours increase.

University degrees satisfy some of the demand for trainee and middle managers, even though graduates often have high expectations but lack practical experience sought by the industry. This gap is being addressed through industry placement and mentoring schemes for students. The University of the South Pacific has a solid tourism studies program and postgraduate students could undertake research and prepare case studies to address some of the gaps identified in this paper.

Any discussion of other concerns and barriers to training would be enhanced by an analysis of training needs that identifies the gaps, establishes priorities and offers strategies to deliver appropriate training.

Raise awareness of career opportunities by attracting and developing capable staff to meet future needs.

Tourism is often perceived as lacking the opportunities and career paths of many professions even though career opportunities do exist from service provider to manager, trainer or planner. In addition to providing jobs to local communities, tourism offers opportunities to travel, to develop skills across a range of disciplines and to learn management techniques. The onus is on current managers and operators, government and trainers to raise awareness of career opportunities by attracting and developing capable staff to meet future needs.

Employment in tourism is also often perceived as unskilled as there are very few barriers to entry and some jobs require little or no training. However, management of a small lodge or tour operation calls for an understanding of business management and accounting, food and beverage service, building and vehicle maintenance, information technology and website design, marketing and much more. It also requires a level of empathy to manage people and to provide a feeling of welcome to every customer. In small operations all of these skills may be demanded of one or two individuals.

The private sector has a responsibility to train and retain staff.

The cost of training can affect smaller businesses, especially if staff are not retained. Tourism and hospitality require a long-term commitment; however, some operators occasionally poach trained staff from their competitors rather than attract and train their own workforce. The private sector has a responsibility to train and retain staff and should consider incentives such as performance bonuses or access to training and professional development for loyal and valued employees.

Distance is a significant obstacle to tourism and hospitality training in the Pacific. It adds considerably to costs involved in gaining access to course materials and travel time for both students and trainers. These difficulties are not insurmountable.

Governments need to recognise that tourism and hospitality training is an investment.

Existing university and vocational programs can be delivered in a number of Pacific locations, distance education modules developed and mobile training units established and funded. Educational materials can also be delivered electronically. Governments need to recognise that tourism and hospitality training is an investment that must be supported through technical and vocational training courses and scholarships.

The tourism workforce includes a range of professions from accountants and business administrators to mechanics and tradespeople. One group of particular interest is government officials who are employed in tourism, aviation, finance and other ministries. The industry is managed through government policy, and there is a need to improve the skills and knowledge of public officials at all levels to implement policy and manage the revenue that tourism returns to the host country. Some Pacific island countries could benefit from support in this area and there is strong interest in twinning or exchange programs with the New Zealand Ministry of Tourism, SPTO, the Pacific Asia Travel Association (PATA) and other organisations.

Possible policy responses

- > National and regional organisations and educational institutions should coordinate a comprehensive analysis of employment and training needs for middle managers and service providers.
- > University of the South Pacific postgraduate students should be given support to undertake research and case studies that address gaps in education and training in conjunction with national and provincial governments, industry associations, SPTO and PATA.
- > Universities, technical and vocational institutions should develop and implement training programs that meet the needs of tourism and hospitality workers through flexible delivery modes, such as part-time and external study, use of electronic channels and mobile training units.
- > Regional organisations and national and provincial governments should strengthen and expand exchange programs between tourism ministries, intergovernmental agencies and the private sector.

DATA AND STATISTICS

The availability and quality of tourism-related data vary for different Pacific island countries.

Sound data are essential for providing tangible evidence of the benefits of tourism to any economy or society, to support policy and investment decisions and to keep up with the trends that affect the industry. The availability and quality of tourism-related data vary for different Pacific island countries.

Currently all Pacific countries collect data on visitor arrivals through their immigration ministries and this provides a useful starting point for understanding the level and

direction of tourist activity. Further information is necessary to take the risk from investment and policy decisions. Samoa provides a case in point. Total visitor arrivals have increased steadily in recent years but the growth has been driven by visiting friends and relatives, a group that does not rely on commercial accommodation or tours. Hence, investment in accommodation may not be warranted even though the market appears to be expanding.

Visitor arrivals cards are a valuable source of time series data on tourism trends.

It is possible to obtain further data from existing collections. For example, most countries require that visitors complete an arrivals card that includes demographic details such as age, sex and purpose of travel. This is a valuable source of time series data on tourism trends, which could be collated electronically and disseminated to government, industry and the finance sector.

Statistics indicating the significance of tourism as a percentage of gross domestic product or employment are often meaningless to those who are not trained in macroeconomics. Case studies could be developed to demonstrate how tourism can directly and indirectly affect individual citizens in their daily lives. Case studies can also be used in awareness campaigns aimed at public officials, schools, tourism operators and the general community.

Well-researched case studies on tourism may encourage more local participation.

Well-researched case studies of the full impact of tourism will also reveal where economic leakage occurs. Although not all leakage can be stemmed, there are opportunities to retain value through locally produced goods and services, programs that increase local participation and strengthen links with related businesses, or new activities such as entertainment or cultural experiences.

Unfortunately, tourism is not a single statistical category in standard national accounts. Tourism planners must draw on national survey data from households and businesses as well as industries that are identified in national accounts, such as agriculture, fisheries or motor vehicles. Economic linkages can be demonstrated through tourism satellite accounts; however, they require considerable expertise and are time consuming, expensive and problematic if national account or tourist expenditure data are not reliable. This is often the case in less developed countries.

Dissemination costs can be reduced by making data available electronically. For example, SPTO provides some visitor arrivals statistics through its website. It may be possible to include tourism data on an existing distribution network such as PRISM (Pacific Regional Information System) and such opportunities should be investigated as part of the data collection process. PRISM is managed by the Statistics Program of the Secretariat of the Pacific Community.

Some Pacific island countries conduct visitor surveys that yield detailed information on visitor activities, attitudes towards the destination, expenditure and other items. Surveys are invaluable planning tools that could be adopted across the region and,

where necessary, supported with technical assistance in survey design, implementation and analysis.

Research information should be consolidated.

A wide range of academic research has been undertaken in tourism and related fields. However, it is published in many different journals across many disciplines. National tourism offices and educational institutions could consolidate research studies and make them available to policymakers, industry operators, financial institutions and all interested parties.

Possible policy responses

- > The World Tourism Organization, SPTO, PATA and national governments should strengthen and support all national data collections based on international definitions of tourism activity.
- > Immigration ministries and national tourism offices could work together to establish mechanisms to collate and analyse visitor arrivals data.
- > National tourism offices should develop and implement international visitor surveys.
- > National and provincial governments should develop strategies for reducing economic leakages associated with tourism and for encouraging more meaningful local participation, such as using local produce and local components. This should be based on sound case studies undertaken by academic or private sector researchers.
- > The Pacific Forum, regional organisations such as SPTO and PATA, and national tourism offices should investigate a data distribution system and ensure that information is widely disseminated, possibly through a regional database such as PRISM.

MARKETING

The wide catchment for tourists adds to the cost of marketing.

The Pacific attracts tourists from all major markets, especially Europe, North America, Australia and New Zealand. This wide catchment from both long and short-haul markets reduces dependence on a single source and minimises seasonal variations. However, it adds to the cost of marketing and potentially increases the range of services required.

Distance is a major problem in tourism marketing, especially for countries that experience very low levels of activity. Traditional approaches to tourism marketing, such as producing and distributing brochures, attending trade shows, making sales calls and advertising are very expensive. In addition, the research needed to support international campaigns is costly. Smaller operators cannot afford these activities.

Most developed countries address this market failure through government-funded agencies that manage international research and undertake marketing campaigns in

collaboration with the private sector. There is a case for some direct government support for tourism marketing. Some countries have attempted to secure funding through industry taxes such as a bed tax, tour operator tax, restaurant tax or airport departure tax. This gives rise to a number of issues. Taxes raised directly from the industry make travel more expensive, penalising travellers and introducing distortions into the economy. Furthermore, direct taxes support tourism marketing when arrivals and activity expands but may not be sufficient if downturns occur, such as after the Fiji coup of 2000. By contrast, one argument in favour of taxing tourists directly to support the marketing effort is that tourism operators are likely to demand more accountability and a direct return from their respective governments.

Marketing is one area where regional cooperation offers advantages.

Marketing is one area where regional cooperation offers advantages. The European Union (EU) has funded marketing initiatives for the Pacific through SPTO in recent years, including support for attendance at the International Tourist Trade Fair (ITB) in Berlin. Financial assistance from the EU has now concluded and the industry is exploring options to maintain its presence at ITB.

PATA Travelmart also provides access to product buyers from global markets and PATA has created a South Pacific Pavilion, which allows destinations to showcase their products to both developed and emerging markets.

The internet offers a cost-effective opportunity for distributing Pacific tourism products to global markets. Recently, the EU provided technical assistance for website development through SPTO. Computerised information systems now dominate the distribution and reservation systems for tourist products and, although the uptake is slow in the Pacific, it will increase as the internet becomes the major marketplace for tourism goods and services. The internet has proven to be very successful for smaller and more remote operations and consideration should be given to assisting all operators to develop and maintain websites. There are two main reasons for not taking advantage of internet technology for marketing: lack of knowledge by the operator and lack of access to telecommunications. Both of these issues can be addressed.

The capacity of individual national tourism offices to market their activities also varies across the Pacific. Some have adequate resources and highly skilled staff, while others have less experience and would benefit from technical assistance and regional networks.

Most operators and industry associations rely on intermediaries such as tour operators to provide market intelligence and there is little, if any, reliable research available that has been undertaken in source markets. Currently Fiji commissions some research but there is little available in other countries. This is a significant gap in the marketing effort for the Pacific as sound research is a prerequisite for marketing decisions.

Qualitative research can test assumptions about why tourists are motivated to visit the Pacific.

Qualitative research into the unique characteristics and aspirations of tourists can identify new products and markets, assist in identifying competitors and support a brand for Pacific tourism. It can test assumptions about why tourists are motivated to visit the Pacific, such as perceptions of the region as a clean and safe destination, enhance understanding of buyer behaviour through direct channels such as the internet, and identify reasons why travellers choose a competing destination rather than a Pacific holiday. One market segment proposed for the Pacific is the 'gold card backpacker'. Sound research is necessary to identify more about this segment, such as its size, demographic and psychographic characteristics, interests and travel purchasing decisions.

Marketing should reflect the multicultural nature of Pacific destinations.

Concerns have been raised about the relationship between the images of Pacific culture used in tourism marketing and the reality of local ways of life. Images used in marketing should reflect the dynamic and modern aspects of Pacific life and not present a frozen culture that is divorced from reality. Visitors should not expect to see people in grass skirts living in homes made exclusively of local materials. Marketing should reflect the multicultural nature of Pacific destinations and not simply conform to the tourist's notions of primitive cultures.

Further development of a tourism brand for the Pacific could provide a framework for aligning products and services with visitor perceptions. Branding involves a conscious effort to position and present a tourism destination and builds in perceptions from the market, as well as how the destination is seen locally. A national or regional tourism brand also creates leverage for other products and services in export markets. Some work has been undertaken by SPTO identifying the brand under the logo and tagline 'South Pacific Islands – Discover Paradise'. The effort has been constrained by a lack of resources and further work would assist in capturing the complexities of the South Pacific.

Possible policy responses

- > Regional organisations, national tourism offices and telecommunication companies should continue to support regional marketing initiatives such as trade marketing and the development of the internet as an electronic marketplace.
- > National tourism offices and telecommunication companies should support smaller operators by providing access to communications technology and/or by coordinating bookings for remote businesses not on the internet.
- > Governments, SPTO, national tourism offices and possibly donors should develop and implement a strategy to undertake qualitative research in all major source markets and communicate the findings.

INVESTMENT

Economic policies that support investment in all sectors equally will benefit tourism.

Globally, tourism activity is price sensitive. It is driven by economic conditions in source markets, the relative prices of competing destinations and the perceived value for money when compared with other destinations. Package tours are particularly sensitive to price, an important consideration for the Pacific as it relies heavily on this segment. As a consequence, economic reform aimed at reducing the costs of business will assist in managing prices and maintaining a competitive tourism industry. Broad-based economic reform should remove or reduce distortions within the economy. For example, tax holidays have encouraged larger tourism firms in Fiji to import tax-free fruit and vegetables rather than purchasing from local suppliers.

Ongoing investment in a wide range of facilities and services will be required to meet future tourism demand. Economic policies that support investment in all sectors equally will benefit tourism, as tourists use many related goods and services such as telecommunications, roads, agricultural products and manufactured goods. This is discussed further in the Pacific 2020 background paper on private sector issues.

A major impediment to investment is the issue of land access or tenure.

A major impediment to investment is the issue of land access or tenure, which is extremely complex in the Pacific and inhibits both foreign and national investors. Direct ownership of land is not the only way to provide the security desired for tourism investment and a number of alternative models are discussed in the Pacific 2020 background paper addressing land issues.

Ownership of marine resources is also controversial in the Pacific. Fiji is considering 'Qoliqoli' legislation, which will devolve the management of traditional inshore fishing grounds to the original owners. This could potentially affect current uses, including tourism.

A PRIVATE SECTOR APPROACH TO ADDRESSING LAND ISSUES IN VANUATU

The complex administrative processes required to secure land for investment can be perceived as an impediment to business or an opportunity. One Vanuatu company provides the full suite of professional services required to support new investment. Employees include a land director who prepares leases, surveyors, geologists, mining and drilling experts, engineers, environmental consultants and legal experts. The company also assists with the preparation of residency permits and shows new businesses how to deal with, for example, customs agents to clear containers. This company's services are used by investors and landowners and have assisted a number of tourism projects.

Foreign investment will be encouraged by streamlining investment rules.

Most Pacific island countries have policies that encourage foreign investment. However, the approval process can be time consuming and foreign investors may be required to meet certain conditions such as training. Foreign investment will be encouraged by streamlining investment rules, enacting legislation that addresses investor concerns over issues such as banking and insurance, creating a positive environment through taxation reform, lowering risk and standardising incentives across the Pacific. Currently investment procedures are not consistent and investors must proceed on a country-by-country basis.

The first EU/Pro-Invest 'PROFIT in the Pacific' forum was held in Fiji in 2005. This forum allows tourism projects seeking external investment to meet with qualified investor representatives and financial institutions. It represents a large, ongoing opportunity to assist those individuals and businesses seeking investment.

There is some concern about the level of foreign investment in tourism.

There is some concern about the level of foreign investment in tourism in the Pacific. Attention needs to be given to empowering smaller firms and local entrepreneurs to participate in the capital market and to release local liquidity. Expatriate nationals could also be encouraged to return or invest in their home countries.

Possible policy responses

- > Pacific decision-makers in government, the private sector and civil society should support the recommendations of the Pacific 2020 working groups on land issues and private sector development.
- > Governments and financial institutions should support private–public sector initiatives to streamline the investment process.
- > Regional and national organisations could prepare and disseminate case studies about agreements that have facilitated investment, such as the Vanuatu example.

CROSS-SECTORAL AND REGIONAL ISSUES

Tourism policymakers need to be cognisant of, and informed by, the policy frameworks and directions of other portfolios.

Governments are responsible for managing a range of issues that affect tourism activity within their jurisdiction. These include the overall economy, the taxation regime, the regulation of financial institutions, visa and immigration policies, health and safety, police and communication. Tourism policymakers need to be cognisant of, and informed by, the policy frameworks and directions of those portfolios that underpin stability, community development and wellbeing, such as health, the environment and education. It is important that tourism supports other policy directions – contributing to resources, not taking them away.

Tourism is not always considered when policy decisions in other sectors are taken.

Conversely, other portfolio policy managers need to understand tourism. Although tourism makes a significant economic contribution to many Pacific island countries it is not always considered when policy decisions are taken. Sound interdepartmental and intergovernmental communication can ensure that the implications of policy decisions are considered for tourism. Ministries of commerce, industry, economic planning and development should work closely with tourism ministries.

Most of the policy initiatives identified in this paper are the responsibility of national governments – for discussion and implementation through their national tourism offices and partner agencies. Some initiatives can be driven by regional organisations such as SPTO, PATA, the Pacific Islands Forum or donors. A number of projects are already under way through these organisations. SPTO develops, implements and advises on tourism policy, supports marketing initiatives, planning and investment, convenes regional meetings for member countries and tourism ministers, and provides a policy platform for the industry. The Pacific Islands Forum is actively involved in discussions on aviation policy and other regional issues.

Expertise in marketing and research can be developed across the region to improve the marketing effort and save costs. Development and support for the internet as an electronic marketplace is an area with important synergies. Regional industry standards provide marketing information to buyers outside the region. Labour and capital are regional resources that can be shared, while some issues such as a common visa for the region require extensive consultation and intergovernmental cooperation and legislation.

Regional cooperation offers a means to share information, brainstorm on opportunities and learn from each other.

Regional cooperation is more than a vehicle for implementing specific policies. It also offers a means to share information, brainstorm on opportunities and learn from each other. One example of successful cooperation is the Mekong tourism working group headquartered in Bangkok and supported by PATA. Member national tourism offices meet annually to build short, medium and long-term strategies to address common issues.

A regional tourism working group would also support the development of institutional capacity by bringing together managers and government officials from countries that have very sophisticated tourism management and marketing programs with others that have relatively weak programs.

Another area of regional interest is crisis preparedness, management and recovery. Recent events have shown that the tourism industry must forge links with providers of humanitarian and emergency services to develop capability to respond quickly and professionally in the event of a disaster. Another area that lends well to regional cooperation is the adoption of industry standards and accreditation. This may involve developing regional standards or using international programs such as Green Globe.

Possible policy responses

- > Regional organisations, the Forum Secretariat and national governments should establish interdepartmental and intergovernmental committees to ensure consultation in the policy development process.
- > Regional organisations such as SPTO, PATA, the Forum Secretariat and, if possible, donors should support governments to prepare national tourism plans, niche market strategies and subregional plans. These should accord with regional plans.
- > The Pacific Islands Forum, SPTO, PATA and national tourism offices should establish a regional tourism working group to exchange information and technology, to build capacity in national tourism offices and provide a network of support for industry and government officials across the Pacific, to drive strategies in areas such as crisis preparedness and to act as a think tank for new ideas.
- > Governments should promote disaster preparedness training and planning for their communities and industries, including tourism.

AIR TRANSPORT AND INFRASTRUCTURE

Aviation policy has been a vexed issue for the Pacific tourism industry for some decades. Reform has been relatively slow and the challenge for aviation policymakers in the Pacific is to meet the expectation for cheap, safe travel while maintaining a network of properly maintained, effective, appropriate, cost-efficient and timely air services.

Pacific leaders need to commit to a commercial and transparent approach to transport services.

In August 2004 the Pacific Islands Forum leaders endorsed the Forum Principles on Regional Transport Services, noting the need for a commercial and transparent approach to achieve regular, reliable and efficient Pacific aviation services. Although some progress has been made through the creation of the Pacific Aviation Safety Office, strong political commitment is needed among Pacific leaders.

Many governments of Pacific island countries own their national airlines and are reluctant to privatise their enterprises. There is a strong case for reforming the sector since further deregulation and inter-regional cooperation would reduce exposure by governments to potential losses, free up resources for other priorities, stimulate tourism activity and increase the tax base. It would be expected that governments would retain regulation and support functions.

One initiative currently being discussed by Pacific Islands Forum leaders is PIASA (Pacific Islands Air Services Agreement), which provides a framework for gradually integrating the aviation services of the Forum members and creating a single aviation market. Further discussion on liberalising air transport services will be required to develop a multilateral air services agreement that is acceptable to all parties.

Unreliable air services and poor connections affect both domestic and international travel.

Unreliable services and poor connections affect both domestic and international travel. Tourists are reluctant to travel to destinations if they are not confident of a return service or if poor connections oblige them to spend nights in transit. Many destinations lose business for this reason. This issue could be addressed through improved management and scheduling of services and could make an important contribution to growth in tourism activity to 2020.

NADI AIRPORT

Tourism now directly accounts for 12.8 per cent of gross domestic product and 9.5 per cent of employment in Fiji. Most tourists arrive in Fiji at Nadi airport. If the people of Nadi had not made land available for an airport there would be little or no tourism activity in Fiji and the country would not have reaped the benefits that have flowed from that single link in the value chain.

The air transport sector has been the subject of considerable change globally in recent years because of deregulation and the introduction of low cost carriers. Costs have been reduced by cutting non-fuel unit costs, offering lower levels of service, maintaining simple fleets and using internet-booking systems. Case studies that define the impacts and economic benefits of low cost carriers to Pacific island countries would assist decision and policy makers to understand this sector and develop appropriate policy.

Airport and air navigation charges represent a high proportion of operating costs and in some destinations there is little or no competition. Governments are encouraged to set realistic fees and charges for airport use that are consistent across the region. If necessary, these could be overseen by an independent regulator.

The Pacific Regional Transport Study has identified the need for airport reinvestment, rehabilitation and upgrading.

The Pacific Regional Transport Study has identified that many international and domestic airports require reinvestment, rehabilitation and upgrading, which require financial and technical support as well as effective airport management.

Cruise shipping and general tourist activity present an opportunity to maximise the benefits from port infrastructure, and further benefits can be realised through regional cabotage and increased competition. In addition, poor economic returns on outer-island routes can be offset by increasing the volume of tourist traffic using the facilities.

Technical support for the development of aviation and maritime transport infrastructure is available through the Transport Technical Support Fund, located at the Pacific Islands Forum.

Possible policy responses

- > The Pacific Islands Forum, the Pacific Aviation Safety Office, governments, the tourism industry and the aviation sector should work together on aviation policy and the development of a multilateral air services agreement as well as a consistent schedule of fees and charges, and consistent requirements for visas, customs and security.
- > Forum governments, the tourism industry and airlines should develop and implement policies aimed at reducing the cost of air transport while maintaining safety standards.
- > Private or public sector researchers could prepare case studies on the impact of low cost carriers in the Pacific for input to policy development.
- > Recommendations of the Pacific Regional Transport Study on upgrading airports and maritime infrastructure should be implemented.