

Linkage – Tourism, Hotel and Air Transportation. An overview in the South Pacific context

Tourism dominates service sector in the region

Countries	GDP 2002 US\$ millions	Agriculture 2002 per cent of GDP	Industry 2002 per cent of GDP	Services 2002 per cent of GDP
American Samoa	245.2 (2001)	n.a.	n.a.	n.a.
Cook Islands	54.8 (2001)	17 (2000 est.)	8 (2000 est.)	75 (2000 est.)
Fiji	4400 (2001 est.)	17 (2000 est.)	25 (2000 est.)	58 (2000 est.)
French Polynesia	1300 (2001 est.)	6 (1997)	18 (1997)	76 (1997)
Kiribati	28.6 (2001)	30 (1998)	7 (1998)	63 (1998)
Marshall Islands	115 (2001 est.)	14 (2000 est.)	16 (2000 est.)	70 (2000 est.)
FSM	269 (2001 est.)	50 (2000 est.)	4 (2000 est.)	46 (2000 est.)
Nauru	60 (2001 est.)	n.a.	n.a.	n.a.
New Caledonia	2700 (2000)	5 (1997 est.)	30 (1997 est.)	65 (1997 est.)
Niue	6.15 (2000)	n.a.	n.a.	n.a.
Palau	174 (2001 est.)	n.a.	n.a.	n.a.
PNG	988.4 (2001)	30 (2000 est.)	37 (2000 est.)	33 (2000 est.)
Samoa	618 (2001 est.)	16 (2000 est.)	18 (2000 est.)	66 (2000 est.)
Solomon Islands	44.6 (2001 est.)	42 (2000 est.)	11 (2000 est.)	47 (2000 est.)
Tonga	225 (2000 est.)	30 (2001 est.)	10 (2001 est.)	60 (2001 est.)
Tuvalu	12.2 (2000 est.)	n.a.	n.a.	n.a.
Vanuatu	257 (2000 est.)	26 (2000 est.)	12 (2000 est.)	62 (2000 est.)

- Air transportation has made it possible for many islands to build up tourist businesses providing both employment and foreign exchange (Kissling, Yacoumis , SPTO 2003).
- At the same time, tourism also provides additional traffic making possible better air services to other countries, provide capacity for export of commodities and ease the burden of paying for improved public utilities to local tax payers (ASPA 2002, SPTO 2003).

Table 2 South Pacific Visitor Arrivals 1999-2002

Country	1999	2000	2001	2002
American Samoa	6,858	6,333	-	-
Cook Islands	55,599	72,994	74,575	72,781
FSM	46,648	16,500	15,250	-
Fiji	409,995	294,070	348,014	397,859
French Polynesia	210,800	233,326	227,658	189,030
Kiribati	5,104	4,842	4,831	-
Marshall Islands	4,622	5,264	5,399	-
New Caledonia	103,352	109,587	100,515	103,933
Niue	1,778	2,010	2,069	1,632
Palau	55,493	57,732	54,111	47,025
PNG	67,357	58,429	54,280	53,482
Samoa	85,124	87,688	88,263	88,960
Solomon Islands	17,395	5,753	3,418	-
Tonga	30,883	37,694	32,386	36,585
Tuvalu	770	1,504	976	1,236
Vanuatu	50,746	57,360	53,203	49,463

Tourism is supply led in most islands, there is a need for more investment in hotels, improved infrastructure to complement proportionally huge investment on regional airlines and to help maintain sustainability. Market demand for international visitors to the islands are increasing. Investment in much needed hotel rooms offer better economic returns at this stage.

- In global terms the tourism in the South Pacific is small with the region receiving less than approximately 1% of world tourist arrivals (SPTO 2003). Although there are approximately 1,500 tourism related businesses in the region, the majority of which are small and medium sized businesses. This modest size of the industry, leads to a limited market access.

Country	Indicative number of Accommodation Units	Average Size (rooms per unit)	No. of Rooms
American Samoa	12	21.6	260
Cook Islands	56	23.5	1316
Fiji	242	25.2	6098
FSM	38	13.5	513
French Polynesia	201	19.0	3819
Kiribati	26	6.9	179
Marshall Islands	17	24.1	409
Nauru	2	89.5	179
New Caledonia	79	26.1	2062
Niue	9	13.7	123
Palau	38	44.4	1687
Papua New Guinea	140	8.6	1204
Samoa	39	19.1	745
Solomon islands	61	13.3	811
Tonga	50	16.0	720
Tuvalu	15	5.0	75
Vanuatu	48	19.7	946
Regional total/average (17 countries & territories)	1073	19.5	

- Tourism in the region can be analysed in terms of the number of visitor arrivals (a function of air services capacity), and the nature of the outbound tourism markets on which they draw (function of tourism plant development and infrastructure)
- On this basis tourism destinations in the region fall into four groupings:

- Those able to draw on a range of originating markets, and with visitor flows of 100,000 a year or more. These are **Fiji, French Polynesia, New Caledonia and Palau**. Fiji, French Polynesia and New Caledonia, which draw on European, Japanese, Australian and New Zealand markets.

- Those able to draw on a range of markets but which are more limited in terms of tourism plant: **Cook Islands, PNG, Samoa and Tonga**. These have around 30,000-70,000 visitor arrivals a year. While all have substantial business from Australia and New Zealand, they also have developed longer haul markets. The Cook Islands, Samoa and Tonga benefit from the services of Air New Zealand, which includes travelers using round the world fare (RTW).

- Destinations limited to a smaller number of originating markets, but otherwise similar to the above in terms of the number of visitor arrivals. **FSM and Vanuatu** are in this category, while FSM drawing in Asian and US markets and Vanuatu on Australia and New Zealand.

- Countries with a more modest level of visitor arrivals: **American Samoa, Kiribati, Marshall islands, Nauru, Niue, Solomon islands and Tuvalu.** All of these destinations tend to suffer from access constraints, with airline flights from only a limited number of originating points, tending to lead to high costs of hotel and resort operation.

- Table below gives comparison between the tourism infrastructure of the South Pacific Tourism Organisation region and that of the Caribbean Tourism Organisation region. Caribbean tourism industry has developed greatly due to vast improved air links and proximity of the source market.

Characteristics	South Pacific (SPTO)	Caribbean (CTO)
Tourist Arrivals (approx.)	1 million	21 million (plus 12 million cruise passengers)
No. of accommodation establishments (whole region)	1,000	5,950
Number of tourist rooms (whole region)	20,000	242,000
Number of member countries	13	33
Number of offices	1 (Suva)	3 (Barbados, New York, London)

- It goes without saying that the type of air service provided must also be closely linked to the requirements of tourists and to the tourism policy adopted by the government (Yacoumis 1988, Kissling 2002, Smithes 1999, Guild 2001). National airlines are needed to guarantee service and links with the overseas market (ASPA 2002).

- The classic policy dilemma for a small island state is to balance its need to develop tourism against the need to keep a national/local airline to guarantee service on key routes in the event of a crisis, such as the loss of service by a major carrier.

- At the South Pacific Forum in AKL August 2003 Leaders echoed concerns and worried about the deteriorating financial conditions of regional airlines wondered why is it that the Pacific Islands don't have a regional airline? (Australia and NZ viewpoint). Airlines of the region should pool resources rather than going out separately and create financial burden to national economies, in order to save resources and become sustainable (Australian PM John Howard, Forum Meeting, Auckland, August 2003).

South Pacific Airlines	Airlines code	National Government	Profit/Loss Year 2000
Air Caledonie	TY	New Caledonia	
Air Nauru	ON	Nauru	
Air Niugini	PX	Papua New Guinea	
Air Pacific	FJ	Fiji	
Air Tahiti Nui	TN	Tahiti	
Air Kiribati		Kiribati	
Air Vanuatu	NF	Vanuatu	
Polynesian Airlines	PH	Samoa	
Royal Tongan Airlines	WR	Tonga	
Solomon Airlines	IE	Solomon Islands	

- It is also a fact that the business of profitably operating a jet or turboprop aircraft in a region in which costs are extremely high, distances are long and passenger- loads light, is a very difficult thing to do (Kissling, King, Campbell)
- However Air Pacific reported profitable operation in year 2002 (Campbell 2003, NZ Travel Trade May 2003)
- Airlines in the region on code sharing arrangement seems to be on the right track. Those who prefer to operate their own capacity seems to be struggling at this stage.

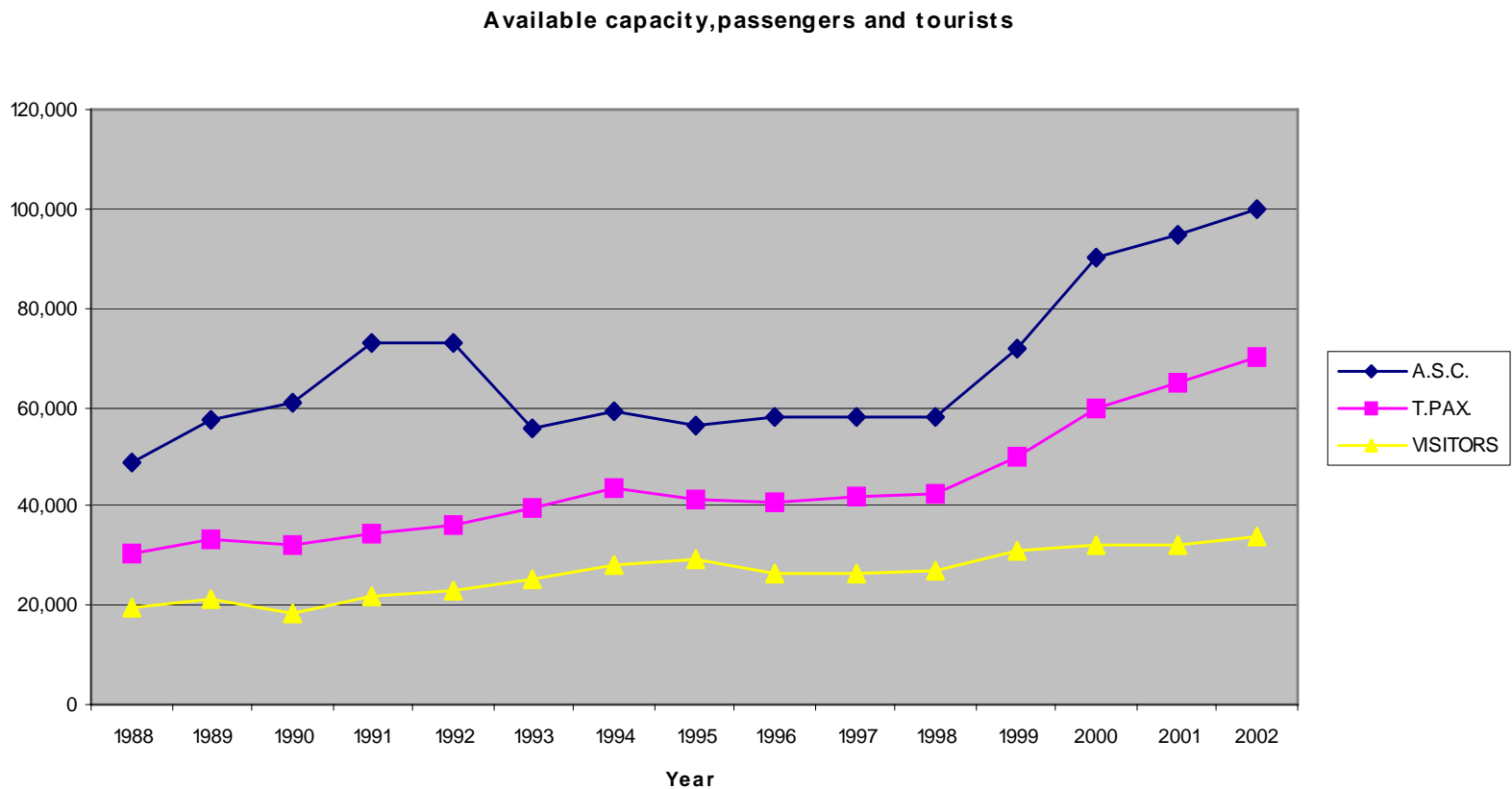
- An international airline is seen as essential for economic development and the maintenance of external trade and communications links . For them, bilateral safeguards their aviation interests.
- All these arguments have influenced the policies of both developed and developing states and explain why almost all countries have set up or fostered their own national airlines. Protectionist policies have inevitably followed (Kissling , Doganis) because there are many circumstances in which the national airline (and the purposes for which it was established) would not have survived the rigours of an open, competitive market (Doganis).

South Pacific Airlines	Airlines code	Wholly Government ownership	Partially Government ownership
Air Caledonie	TY		√
Air Nauru	ON	√	
Air Niugini	PX	√	
Air Pacific	FJ		√
Air Tahiti Nui	TN		√
Air Vanuatu	NF	√	
Polynesian Airlines	PH	√	
Royal Tongan Airlines	WR	√	
Solomon Airlines	IE	√	

- The region weak presence in global tourism is exacerbated by the nature of the industry in the region and the small number of international players.

Available airlines' seat capacity is vital in determining volume of tourist flow. If the seat capacity is inadequate or low seat availability, it may have detrimental effect on the tourist traffic in the short and long term. On the other hand, airlines do not want to maintain seat over-capacity over a particular sector for a long period. International air capacity to Tonga was monitored for the past 15 years in order to clearly identify airline's roles in the development of tourism and how it affects tourism traffic to the Kingdom. Despite availability of international seats tourism traffic didn't show corresponding increase however development of saleable rooms (and associated marketing) seems to have corresponding impact in increasing visitors flow.

Airplane seat capacity, total no. of air passengers and bona fide air tourists in Tonga during past 15 years



Additional number of seats relates to additional number of tourists. This in turn gives visitor nights requirements and hotel rooms required. From this one could work out the additional number of hotel rooms required and associated amount of investment.

- Tourism is supply-led. Once the infrastructure and superstructure is in place tourism would grow. SP Governments to invest more on tourism supply and hotels rather than on the transportation sector as its more cost efficient. Direct correlation between rooms availability, number of air travellers and dedicated seats available.

- With this type of information all in a linkage chain, regularly updated, it could give the signal to stakeholders (government, airlines, tourism developers and investors) at anyone time which part of the linkage chain they need to act upon, whether its approval for new entry, additional capacity, more marketing, new routes, new tourism project or new hotel investment and at what level and number of rooms.
- This may also help to solve the land use and land dispute problems we have in the islands, dealing with bona fide investors and transparent projects. This need to be transparent and open up for tender if required with the criteria of who gives best possible value, less risk and cost to government.