

Tourism

Fiji, Vanuatu, the Cook Islands and Palau are already destinations for the mainstream tourist market.

Other countries such as PNG and Solomon Islands have limited tourist infrastructure and a higher risk profile. As such they do not as yet cater for mainstream holiday makers and rely on niche tourism.

Regional collaboration

Various regional initiatives calling for closer cooperation and a unified voice is likely to add momentum to the industry.¹ For example, Pacific Islands Trade and Invest have developed a major online tourism initiative. This has included collaboration with the South Pacific Tourism Organisation (SPTO) for marketing campaigns (started with Lonely Planet, Expedia, Travelocity and Wotif. The EU has also funded marketing initiatives through the SPTO. Development of a unified brand for the Pacific will encourage multi destination travellers to the Pacific, awareness of a regional brand and greater marketing reach.

Travel Costs have improved

The Pacific has always been expensive to get to. But recent deregulation of air travel has enabled competition and the arrival of budget carriers. As a result airfares have dropped significantly and there are more flights to more locations.² For example;

- Virgin Airlines' Pacific base based out of New Zealand flies between Australia, New Zealand, the Cook Islands, Fiji, Tonga, Vanuatu and Solomon Islands.
- In 2005 Virgin Airlines formed a joint venture with Samoan National carrier Polynesian Airlines to form Polynesian Blue.³
- Air Pacific, based in Fiji (Nadi) flies to Australia, New Zealand, Los Angeles, Hong Kong and provides a service to many of its Pacific Island neighbours.

Eco-tourism

With their extensive underdeveloped natural environments and the absence of modern infrastructure, the Pacific Island countries provide opportunities for eco-tourism. The opportunities in remote eco locations have increased as interest in untouched areas of the world has grown.

Cruises

Though still very small as a percentage of the global cruise market, the South Pacific region is growing as a cruise destination.⁴ Relative proximity to Asia means there are opportunities to benefit from the enormous potential of the Asian market. The Australian and New Zealand markets are amongst the world's fastest growing cruise markets.⁵ P&O and Princess are the two largest cruise companies in the Pacific and destinations include: PNG, Samoa, Tonga, Cook Islands, Vanuatu, Fiji.

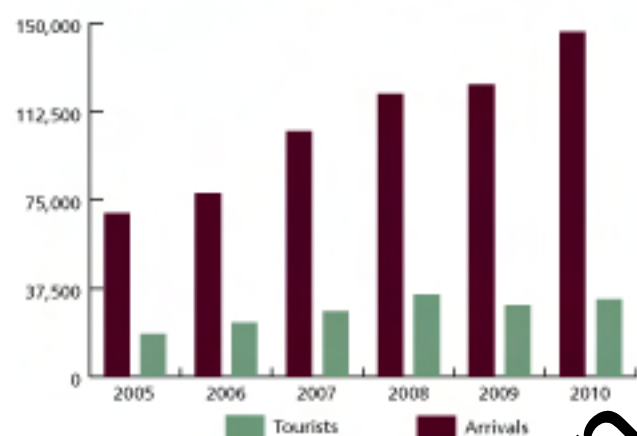
Smaller cruise boats have a vibrant and growing industry. In PNG 10 day tours with boats catering to 10 to 25 passengers, attract tourists for fishing, diving, surfing, cultural and scenic tours. This segment of the market has good growth prospects.

Photo courtesy Papua New Guinea Tourism Promotion Authority

Niche tourism attracts a clientele with an enthusiasm and budget to travel to out of the way places and pay a premium for the experience. This provides an opportunity for destinations to become well known and creates momentum for the industry to develop. PNG and the Solomon Islands attract considerable interest for bird watching, diving, surfing, trekking, culture and WWII history.

Papua New Guinea

PNG Visitor Numbers 2005 - 2010



Source: PNG Tourism Promotion Authority

Tourism in PNG is underdeveloped but growing. In the decade to 2010 visitor numbers doubled to 125,000 visitors.⁶ The sector has attractive investment incentives (see PNG overview).

PNG has a stunning natural environment, diverse activities and incredible cultural attractions including world class; trekking, WWII history, bird watching, traditional village culture, surfing, diving and fishing. However there is a lack of tourist infrastructure and services. Health and law and order issues mean that at present only the more intrepid travellers visit PNG.

With mining, oil and gas dominating the economy the government is struggling to develop skills, infrastructure and services to grow the tourist industry. However the greatly increased expatriate market is providing some necessary impetus. Over the past four years the PNG government has been increasing funding to the PNG Tourism Promotion Authority (PNG TPA). PNG TPA is currently represented with agencies in Tokyo, Sydney, California and starting in 2012 in London.

Travel costs

Introduction of competition has brought down prices on Australian routes though comparatively they are still expensive. Asian routes (the Philippines, Singapore, Tokyo and Hong Kong) which are serviced solely by national carrier Air Niugini are expensive.

PNG has only one international airport in the capital Port Moresby. Tourists need to fly domestic to get to their destinations and airfares are costly. Hotels are expensive too, supply is short and demand from business travel high. Overland transport is often difficult to organise, expensive and can be dangerous.

The Hotel Industry in PNG

The predominant market for PNG is the business traveller. Most of the major hotels in Port Moresby have expanded in the past three years or are currently expanding capacity to meet demand. There are no major international resort operators currently operating in PNG.⁷

The UK has a strong presence in the PNG hotel market:

Steamships Trading is a subsidiary of the Swire Group and own the major hotel chain, Coral Seas Hotel Group. It operates seven major hotels around the country including the Gateway and Ela Beach Hotels in Port Moresby. In November Steamships Trading opened a US\$80 million five star hotel, the Grand Papua Hotel in central Port Moresby.

The UK's InterContinental Hotel Group are also active in the PNG market with the Holiday Inn and Crowne Plaza brands.

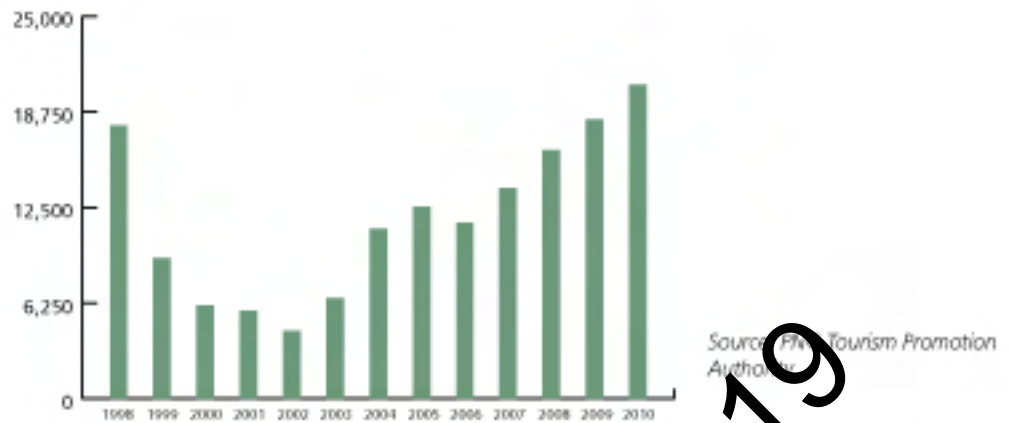
Solomon Islands

Visitor numbers in 2010 to Solomon Islands were a very low 20,521, of which approximately one third were tourists.

Solomon Islands' outstanding natural beauty provides considerable potential for tourism and fewer security challenges than PNG. Connectivity to the major regional market of Australia is good, with connections six days a week.

In May 2010 a Tourism Task Force was established with help from the IFC (International Finance Corporation). The Task Force brought business owners and government policy makers together to encourage investment, to improve marketing and transport links and to strengthen training and quality standards in the industry.⁸

Visitor arrivals in Solomon Islands 1998 - 2010



Air services have improved from Australia with the arrival of Pacific Blue, a major regional budget carrier which flies direct from Brisbane to Honiara since 2008. Solomon Airways, the national carrier upgraded its fleet with the addition of refurbished Airbus A320 in 2011.

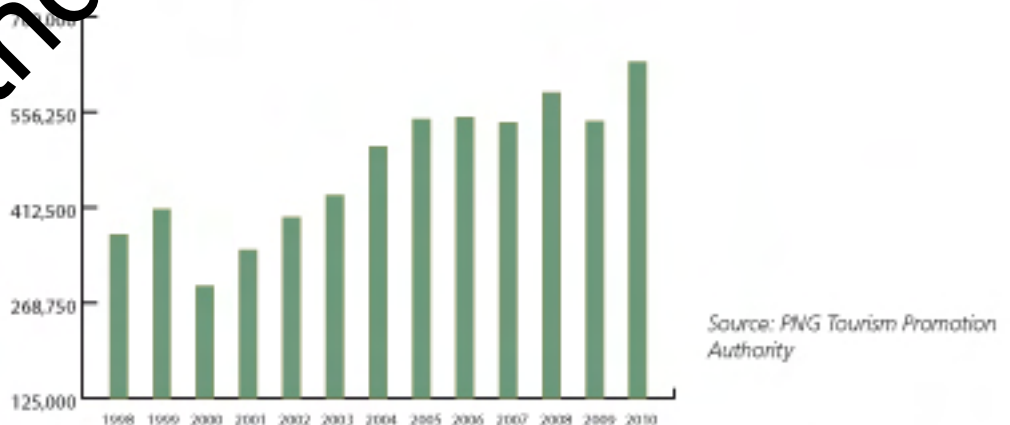
Attractions

Niche tourism offers the best potential for growth for Solomon Islands with diving and snorkelling being the major attraction. There has been an increase of foreign investment in smaller eco-resorts close to these attractions, in particular diving and surf resorts.⁹ The Western Province (WP) has world class dive sites, many on WWII wrecks and the island of East Rennell in WP is a designated UNESCO World Heritage site.

Fiji

Fiji is easily the most successful destination in the region, of the 1.34 million visitors to the Pacific region in 2009 about one third were visitors to Fiji.¹⁰

Visitor arrivals in Fiji 1998 - 2010



■ 2010 saw a record 630,000 visitors to Fiji and arrivals rose 9% in the first half of 2011.

Fiji attracts the mainstream holiday market and tourism is the leading sector for Fiji's economy. Fiji's success in tourism compared to the other Pacific Island countries can be attributed to various factors; it was once a stop on the transpacific air route, the Indo-fijian influence helped develop services for the industry and land tenure for major investors has been more secure.

Visitor arrivals grew strongly in 2010 with a 15% rise for a record 630,000 visitors. A strong Australian dollar led to a 20% increase in visitors from Australia in 2010 and a further 9% rise in the first half of 2011.¹¹ In 2010 over 50% of Fiji's visitors arrived from Australia, followed by New Zealand and the United States.

Transport

Fiji is well serviced with excellent air links to Asia, Australia, New Zealand, Canada and the US, as well as being a hub for travel in the Pacific. Air Pacific Fiji's national carrier is a world class airline and offers competitive pricing and an international level of service. Prices from major markets are competitive with Australia's low-cost carrier Jetstar commencing flights to Fiji in 2010. The international airport at Nadi is well linked by road, air and boat to tourist destinations around the country.

Fiji's gross earnings from tourism from January to November 2010 totalled US\$399.9 million, more than the combined revenues of the country's top five exports.¹² Negative travel advisories from the Australian and New Zealand governments have adversely affected the availability of travel insurance. Nevertheless tourism has a strong future in Fiji and will be supported by a rising Asian market and Fiji's position as a regional hub. Depressed prices mean that the next five years might be a good time to invest.

Opportunities for UK Business

For much of the Pacific the hotel industry is young although there are a number of international quality hotels. For PNG the industry has potential for further expansion as both prices and room occupancy rates are high. Commercial development means that the lucrative business market will remain robust and greater concentrations of wealth in major cities mean growing demand for hotel services and restaurants. UK expertise in design and management would be welcomed.

There are also opportunities in service industries such as insurance, tourism operators, technology and tourist infrastructure. The latter being severely underdeveloped for much of the region. UK Tourist operators have considerable potential and could team up with local companies to gain entry to the market. Companies who cater to niche industries, eco and adventure options would find the Pacific has unique experiences to offer clients.

Photo courtesy PNG Tourism Promotion Authority

Case Studies

Investing regionally:

The Lamana Group

The Lamana group is a PNG company which owns and operates numerous hotels. Seeing the opportunities in the industry, Lamana have been expanding aggressively both in PNG and across the region.

Lamana's property portfolio includes numerous residential complexes, commercial and industrial real estate. Lamana frequently partner for developments with PNG's national superannuation funds and provincial governments.

Lamana in Papua New Guinea operates five hotels including;

- Airways Hotel: A 5 star hotel and serviced apartments complex in Port Moresby. Expected to expand with golf course etc. Airways was voted World's Leading Airport Hotel in the World Travel Awards, London, 2010.

Lamana in the Pacific Region;

The **Grand Pacific Hotel**, a landmark hotel in the Fiji capital Suva is currently being refurbished;

- Investment: Lamana Group PNG, Nasfund PNG

- An example of inter-regional investment and Public Private Partnership

- To be opened in 2012

Heritage Park Hotel in Honiara, Solomon Islands

- Investment: Lamana Group PNG 30%, Nasfund PNG 60% & Solomon's National Provident Fund (NPF) 10%

- An example of inter-regional investment and Public Private Partnership

- Opened September 2009

Taumeasina Island in Samoa

- Approved by the Samoan government in September 2011 is a proposed US\$60 million, 200 room complex.

