



# Technical Assistance Consultant's Report

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Project Number: 40595  
June 2008

## Republic of Palau: Facility for Economic Infrastructure Management (Financed by the Japan Special Fund)

Prepared by  
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For the Government of Palau  
Ministry of Finance

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**Asian Development Bank**

June 2008

Project Number: TA 4929-PAL

# Facility for Economic and Infrastructure Management Project

## Tourism Action Plan

FINAL



**Prepared for:**  
Government of Palau and  
Asian Development Bank

**Prepared by:**  
Tourism Action Plan  
Committee and  
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PINZ

## ACRONYMS

|       |  |
|-------|--|
| ADB   | Asian Development Bank                                   |
| BTA   | Belau Tourism Association                                |
| EQPB  | Environmental Quality and Protection Board               |
| FAT   | Far Eastern Air Transport                                |
| FEIM  | Facility for Economic and Infrastructure Management      |
| FIB   | Foreign Investment Board                                 |
| FIT   | Free and Independent Traveler                            |
| FY    | Financial Year   |
| GDP   | Gross Domestic Product                                   |
| IFC   | International Finance Corporation                        |
| IMF   | International Monetary Fund                              |
| JAL   | Japan Airlines   |
| JICA  | Japan International Cooperation Agency                   |
| KSG   | Koror State Government                                   |
| MICE  | Meetings, Incentives, Conferences and Exhibitions        |
| MTDS  | Medium-Term Development Strategy                         |
| MNRET | Ministry of Natural Resources, Environment and Tourism   |
| MPIIC | Ministry of Public Infrastructure, Industry and Commerce |
| MRD   | Ministry of Resources and Development                    |
| NMDP  | National Master Development Plan                         |
| PAN   | Protected Areas Network                                  |
| PANF  | Protected Areas Network Fund                             |
| OECD  | Organization for Economic Cooperation and Development    |
| OEK   | Olbill Era Kelulau                                       |
| PCC   | Palau Community College                                  |
| PCOC  | Palau Chamber of Commerce                                |
| PCS   | The Palau Conservation Society                           |
| PNDB  | Palau National Development Bank                          |
| PNRC  | Palau Natural Resources Council                          |
| PPR   | Palau Pacific Resort                                     |
| PR    | Public Relations   |

|      |   |
|------|---|
| PSC  | Project Steering Committee                    |
| PVA  | Palau Visitors Authority                      |
| MTDS | Medium-Term Development Strategy              |
| MTFS | Medium-Term Fiscal Strategy                   |
| NDBP | National Development Bank of Palau            |
| NTU  | National Tourism Unit                         |
| SARS | Severe Acute Respiratory Syndrome             |
| SBDC | Small Business Development Center             |
| SPPF | South Pacific Project Facility                |
| SWOT | Strengths, Weaknesses, Opportunities, Threats |
| TA   | technical assistance                          |
| TAP  | Tourism Action Plan                           |
| TNC  | The Nature Conservancy                        |
| USA  | United States of America                      |
| VAT  | value added tax                               |

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- 2. Assessment of Priority of Tourism Actions**
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## Executive Summary

This is the final report of the TA's Tourism Specialist. It is also the final report of the Tourism Action Plan (TAP) Committee of the "Tri-Org". The Tri-Org" is a coordination group comprising all board members of three organizations associated with Palau tourism: the Palau Visitors Authority (PVA); the Belau Tourism Association (BTA); and the Palau Chamber of Commerce (PCOC). Convened in June 2007, the TAP Committee set a planning process in motion then that has now culminated in this report.

Visitor arrivals to Palau have risen from 20,000 in 1991 to more than 80,000 in recent years. The basic tourist visit pattern has not changed in the last two decades. Visitors fly in to Palau International Airport at Koror, stay within a short distance of the airport in tourist accommodation on the islands of Malakal, (Koror State), or Ngerkebesang and within Airai State on Babeldaob, access marine attractions and undertake marine activities by boat, then exit via the airport. There are two prospects for significant changes to this pattern: i) the recently completed Compact Road around Babeldaob presents opportunities for a new tourist circuit by land and ii) new transport options including the reintroduction of sea planes in conjunction with new resort developments could introduce internal air patterns to remote islands.

Within Palau it is widely acknowledged that tourism offers great potential to support sustainable economic growth and provide opportunities for employment for Palauans. However, the industry is vulnerable. The issues facing the tourism sector include:

- the need for careful environmental management of the natural resource base of tourism;
- a general industry trend down-market caused by a rise in budget group packages;
- air access constrained by the predominance of charter flights;
- a rise in social and cultural impacts including prostitution;
- lack of infrastructure for cruise ships and visiting private vessels; and
- difficulties in attracting and retaining Palauans in the industry.

Through a planning process involving consultations within the industry and others, the TAP Committee prepared a five-year strategic Tourism Action Plan to address these opportunities and concerns. The industry consultations included workshops led by PVA on markets and marketing. The Tri-Org has adopted the resulting Tourism Action Plan. When the Plan was presented to the TA's Project Steering Committee on 5 June 2008 it was presented by the Tri-Org, on behalf of the Palau tourism industry.

The Tourism Action Plan details priority actions over the next five years. It establishes levels of priority and responsibilities for implementation. It also provides indicative costs and timing. The TAP Committee was determined to provide a comprehensive description of each action, including implementation strategies and likely outcomes. The three organizations of the Tri-Org will take much of the responsibility for implementation. The TAP Committee will remain a driving force.

The Plan calls for creating a conducive environment for tourism and for taking care of tourism's resource base. The general strategy in this regard is to align the agendas of government agencies to tourism's goals and create partnerships for solving key issues. In regard to markets and marketing, the Plan calls for repositioning Palau tourism in the world tourism marketplace, properly funding destination marketing and building effective public / private / partnerships for destination promotions.

Improving air access to Palau is identified as a key issue and the proposed strategy in this regard is to make adjustments to bilateral air service agreements. In the products and attractions area, the key issue is diversifying and improving the product base. The strategy here is to improve existing products and attractions and develop new attractions.

Increasing private sector investment in quality accommodation is a key issue in the accommodation area. The proposed strategy is to attract new investment and encourage upgrading of existing operations. Under human resources, the issue is encouraging Palauan participation in the tourism industry. The strategy here is to improve vocational and in-service training and showcase Palauan hospitality.

Chapter 4 of the report contains a summary of specific actions to address these issues. Chapter 5 describes each action in more detail. The estimated total capital cost for the Tourism Action Plan is \$1,600,000. This includes the cost of establishing a dedicated tourism vocational training facility within the Palau Community College (PCC). The estimated total recurrent cost of \$1,575,000 includes the normal annual budget allocation to PVA for destination marketing.

## **1. Introduction**

### **1.1 Status of this Report**

1. This is the final report of the Tourism Specialist in ADB TA 4929-PAL Facility for Economic and Infrastructure Management Project, the aim of which is to assist the Government of Palau to achieve its development aspirations through improved economic and infrastructure management. The Tourism Specialist's terms of reference were:
  - i) Review all relevant documents, legislation, activities, data and policies related to tourism development.
  - ii) Consult with stakeholders in government, the private sector and the community on tourism development objectives, constraints, issues, approaches and policies.
  - iii) Formulate an action plan to address key constraints and support appropriate initiatives and policies, receive feedback on the plan from stakeholders and other team members and make appropriate adjustments.
2. This is also the final report of the Tourism Action Plan (TAP) Committee of the "Tri – Org". The Tri-Org is a coordination group comprising all board members of three organizations associated with Palau tourism: the Belau Tourism Association (BTA); the Palau Visitors Authority (PVA); and the Palau Chamber of Commerce (PCOC). The TAP Committee was convened in June 2007, in order to set a planning process in motion prior to the arrival of the Tourism Specialist.

### **1.2 Planning Process**

3. By the time the Tourism Specialist arrived, the TAP Committee had made considerable progress in identifying the strengths, weaknesses, opportunities and threats (SWOT) of Palau tourism. The Committee had prepared a SWOT matrix and there was general agreement on many key issues. Over the one-month period of the Tourism Specialist's mission the TAP Committee led, and the Tourism Specialist assisted with, an intensive planning process. Details are contained in the Tourism Specialist's Mission Diary attached as Appendix 1. In summary, the process involved:
  - i) briefings of the Tourism Specialist by PVA, BTA and PCOC.
  - ii) a TAP brainstorming session to create a "skeleton" for the Action Plan.
  - iii) individual consultations with tourism stakeholders.
  - iv) a TAP workshop to "put flesh on the skeleton".
  - v) industry workshops on markets and marketing.
  - vi) a TAP presentation of a draft Tourism Action Plan to the Tri Org.
  - vii) integration discussions with TA Team Leader and other TA specialists.
  - viii) a Tri Org presentation to the TA's Project Steering Committee (PSC).

### **1.3 Format of this Report**

4. The report presents the outcomes of this work in a manner suitable for incorporation in the draft Medium-Term Development Strategy for Palau (MTDS), the major output of this TA. The following section, "Tourism Situation and Issues" will be included in the "National Development Situation" chapter, under "Economic Performance". The subsequent "Comments on the Tourism Action Plan", "Summary of the Tourism Action Plan" and "Tourism Strategies and Actions" sections are designed to go directly into the MTDS. Appendix 1 presents the Tourism Specialist's Mission Diary. Appendix 2 presents a matrix recording the TAP Committee's assessment of the priority of tourism actions. This matrix will be an annex to the MTDS.

### **1.4 Acknowledgements**

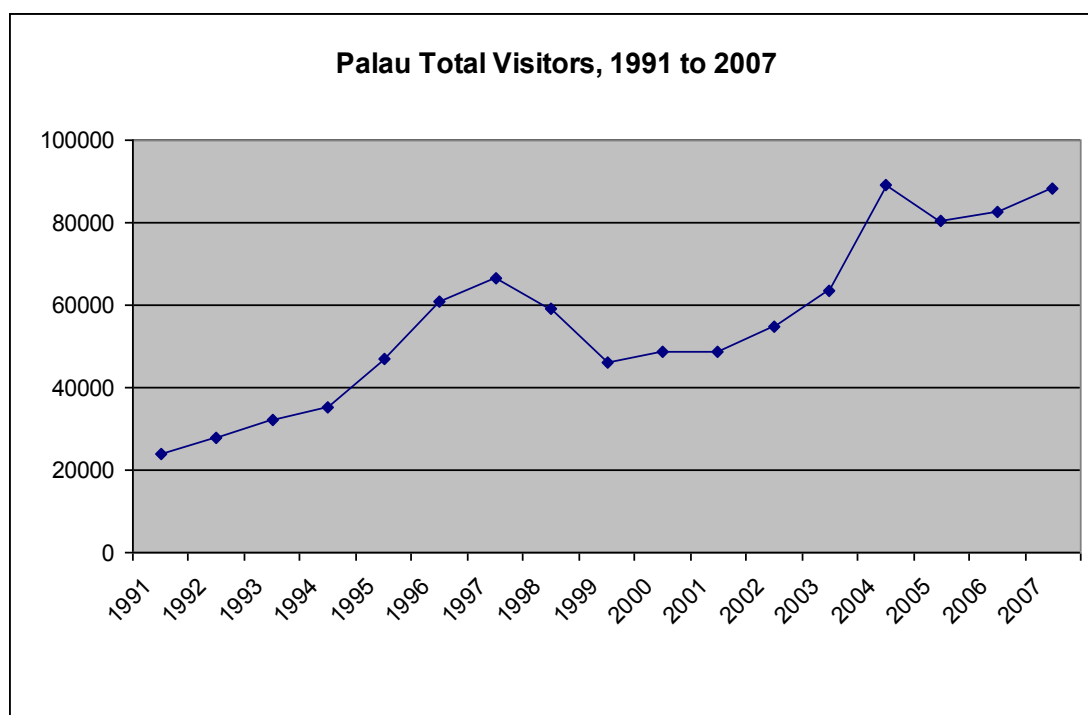
5. The ideas and recommendations in this report are gratefully acknowledged to the TAP Committee of the Tri-Org: Mr Darin De Leon, Chair; Ms Jennifer Koskelin; Mr Greg Gordon; Mr Francis Remengesau; Ms Lucy Sugiyama; Ms Carol Ngiraidis; Mr Ken Uyehara and Mr Sam Scott. The Committee was dynamic throughout the planning process and had ideas together in advance prior to the arrival of the Tourism Specialist. Also acknowledged are the members of the full Tri-Org Committee, the many other members of the tourism industry who contributed at workshops and the public servants who gave their time to be interviewed. Dr John Fallon, Ms Alfonsa Koshiba, Mr Rhinehart Silas and other members of the PINZ TA Team are acknowledged for their help and contributions of ideas. The mistakes in the report remain the responsibility of the author.

## 2. Tourism Situation and Issues

### 2.1 Key problems and policy directions

- The tourism sector is the major private sector-led component of the economy. Visitor receipts are estimated to have been equivalent to 45 percent of GDP in 2005 (cf Maldives 53%, Fiji 22%, Bahamas 35% on average 1999-2003).<sup>1</sup> In terms of the number of tourist arrivals relative to the population, Palau now ranks second only to the Bahamas among small island economies. In 2007, Palau received four times as many visitors as it has population. Assuming the current tourism profile, estimates by the TA Team suggest tourism arrivals could increase to 100,000 by 2013, representing a potential total value added to the economy of USD42.3 million.

Figure 1: Visitor Numbers



Source: Palau Visitors Authority

- Visitor numbers have risen from a little over 20,000 in 1991 to more than 80,000 in recent years (Figure 1). A slump in the 1998-2003 period reflected external shocks including the Asian financial crisis (1997/1998), the 9/11 terrorist attacks (2001) and the Severe Acute Respiratory Syndrome (SARS) outbreak (2003). Visitor numbers recovered to peak at 89,000 in 2004. Visitor numbers were around 88,000 for 2007.

<sup>1</sup> World Tourism Organization, Compendium of Tourism Statistics; and Fund staff estimates.

8. Compared with many tourism destinations, Palau is fortunate to not have a significant seasonal variation in visitor arrivals. Peak visitor months are February and July, with approximately 8,000 visitors, and low months are June and November, with approximately 5,500 visitors.
9. The basic tourist visit pattern has not changed in the last two decades. Visitors fly in to Palau International Airport at Koror, stay within a relatively short distance of the airport in tourist accommodation on the islands of Malakal, (Koror State), or Ngerkebesang and within Airai State on Babeldaob, access marine attractions and undertake marine activities by boat, then exit via the airport. Looking forward, there are two likely prospects for significant changes to this pattern: i) the recently completed Compact Road around Babeldaob presents opportunities for a new tourist circuit by land; and ii) new transport options including the reintroduction of sea planes in conjunction with new resort developments could introduce internal air patterns to remote islands.
10. While it is widely acknowledged that tourism offers great potential to support sustainable economic growth and provide opportunities for employment for Palauans, the tourism industry feels vulnerable at present due to some immediate concerns. These concerns include: i) the need for careful environmental management of the natural resource base of tourism; ii) a general industry trend down-market caused by a rise in budget group packages; iii) air access constrained by the predominance of charter flights; iv) a rise in social and cultural impacts including prostitution; v) lack of infrastructure for cruise ships and visiting private vessels; and vi) difficulties in attracting and retaining Palauans in the industry.
11. A positive aspect of these concerns is that they have brought the industry together. The three driving organizations of the industry are the PVA, from the government side; BTA, representing the industry; and PCOC, representing the wider private sector. These three organizations have formed the Tri-Org with an agenda to address the industry concerns. Representing all sectors of the industry, the Tri-Org has significant potential as an agent for change.
12. In addition to the immediate concerns, there are also some long-standing issues in the industry. The tourism sector suffers along with others from the absence of strong Palauan entrepreneurial capacity and the uniquely Palau problem of “fronts business”.<sup>2</sup> International players are generally the first to realize tourism development opportunities. Government institutions do not always understand or respond to private sector needs. Industry leaders agree that the latter problem was worse in the past. Closer cooperation is contributing to better understanding.
13. The PVA was created by the Tourism Reorganization Act of 1982 to carry out government policy and promote orderly development of the sector. In 2005, a Budget Authorization and Appropriation Act (RPPL 7-13) clarified its responsibilities as: implementing government policy and plans; establishing programs for human resource development and product improvement; formulating policy; marketing and promotion; advice to President; encouraging foreign investment; recommending immigration and customs procedures; recommending improvements to communications; community outreach; liaison between government and private businesses; seeking foreign assistance; promulgating regulations; and other necessary steps.

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<sup>2</sup> “Front businesses” are explained in para 15 below. ”

14. While government-funded and managed by public servants, PVA is semi-autonomous in that it has its own Board of Directors. Directors are appointed and some have tourism experience. PVA now has a strong working relationship with the BTA and is particularly active in BTA's Marketing Committee. It is also active on the Tri-Org. Each state in Palau has a tourism representative to improve tourist attractions. Important future roles, not focused on at present, will be developing policy and development guidelines at state as well as national level.
15. Whereas industry is seeking more regulations in some areas, such as activities around sensitive marine resources, in other areas it feels over-regulated. A restriction on those who may operate certain tourism businesses<sup>3</sup> has resulted in "fronts businesses" among commercial recreation operators. Because the restriction affects non-citizens with skills in businesses where skills transfer is needed, it is largely ignored. Palau tourism is highly dependant on the quality of these operations and many foreign partners have made long-term commitments. The business uncertainty created by this restriction is a constraint to development of the industry.
16. Until recently, the only specific tax on tourism was a Departure Tax paid by all departing passengers at the airport. Continental Airlines collects the tax separately. Other airlines build it into the ticket price, which is preferred by the industry. The tax is currently USD20 for non-Palauans and USD10 for Palauan passport holders. All tax collected goes directly into the government's general fund.
17. Palau's top visitor source markets are currently Taiwan and Japan. Korea is a distant third, followed by the USA and Guam. The Japanese market has been consistent in volume since 2000, with serious divers dominating. Korea, USA and Guam markets are also mainly dive-focused. PVA estimates that 58% of all visitors decided to visit Palau because of its reputation as a dive destination. The Taiwan market is an exception because it is not dive-focused. In the mid 1990s, high-yielding urban honeymooners came from Taiwan. By 2004, budget package group tours had been introduced in Taiwan. In general, the long-haul markets stay the longest time.
18. Tourist volumes and target markets are important issues within the industry at present. While the small volumes of arrivals mean the term "mass tourism" is not appropriate, the "volume" versus "niche" debate is typically spoken of in Palau as "mass" versus "high-end". There is concern that budget package tours are creating a volume-focused industry.
19. The Japan International Cooperation Agency (JICA) Study quoted a 1996 analysis of spend per day, which revealed that Taiwan was then a relatively high-end market (daily spend in Palau: Japan, USD199 / Taiwan, USD283 / USA, USD152 / Europe, USD129 / Pacific, USD133). However, by 2004 a PVA survey of departing visitors revealed a radical change (Total spend in Palau for whole visit: Taiwan, USD154; Japan, USD698; USA, USD911; Europe, USD889 and Other, USD670).

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<sup>3</sup> Tourist activities reserved exclusively for Palauans are car rentals, tour guiding, fishing guiding, dive guiding, all forms of water transportation, booking services, and tour and travel agencies.

**Table 1: Visitor Numbers by Nationality**

| <b>Year Nationality</b>     | <b>2001</b>   | <b>2002</b>   | <b>2003</b>   | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007</b>   |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Australia/New Zealand       | 393           | 403           | 485           | 1,387         | 818           | 596           | 733           |
| Germany                     | 292           | 256           | 411           | 518           | 606           | 514           | 476           |
| Guam                        | 2,859         | 3,729         | 3,640         | 2,724         | 3,012         | 2,039         | 1,848         |
| Hong Kong                   | 661           | 536           | 435           | 402           | 1,387         | 392           | 465           |
| Italy                       | 104           | 97            | 122           | 153           | 284           | 344           | 328           |
| Japan                       | 22,097        | 23,748        | 21,401        | 23,845        | 26,281        | 26,892        | 29,198        |
| Korea                       | 241           | 497           | 312           | 5,673         | 2,169         | 11,756        | 14,342        |
| Micronesia                  | 1,804         | 2,402         | 1,982         | 2,411         | 2,292         | 1,437         | 964           |
| Philippines                 | 896           | 3,410         | 740           | 860           | 776           | 1,430         | 1,719         |
| People's Republic of China  | 359           | 873           | 250           | 333           | 336           | 386           | 464           |
| Republic of China (Taiwan)  | 12,262        | 15,819        | 27,857        | 42,158        | 34,101        | 28,449        | 29,005        |
| Russia                      | 0             | 0             | 0             | 166           | 268           | 316           | 302           |
| Switzerland                 | 171           | 154           | 118           | 165           | 188           | 185           | 140           |
| United Kingdom              | 293           | 250           | 158           | 264           | 292           | 239           | 389           |
| US Mainland (North America) | 5,128         | 4,774         | 4,291         | 5,979         | 5,532         | 5,922         | 5,956         |
| Other Europe                | 68            | 77            | 47            | 537           | 651           | 665           | 882           |
| Others                      | 1,168         | 1,535         | 1,079         | 1,586         | 1,585         | 835           | 964           |
| <b>Totals</b>               | <b>48,796</b> | <b>58,560</b> | <b>63,328</b> | <b>89,161</b> | <b>80,578</b> | <b>82,397</b> | <b>88,175</b> |

Source: Palau Visitors Authority

**Table 2: Length of Stay by Nationality (in Days)**

| <b>Year Nationality</b>     | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Australia/New Zealand       | 5.5         | 2.5         | 4.5         | 6.0         | 5.0         | 5.5         | 6.0         |
| Germany                     | 6.5         | 5.5         | 7.5         | 7.5         | 9.5         | 8.5         | 7.5         |
| Guam                        | 3.5         | 3.5         | 3.5         | 4.0         | 3.5         | 3.5         | 4.5         |
| Hong Kong                   | 3.5         | 3.5         | 5.5         | 5.5         | 4.0         | 4.0         | 4.5         |
| Italy                       | 6.5         | 5.5         | 7.5         | 7.5         | 8.5         | 7.5         | 6.5         |
| Japan                       | 4.5         | 4.5         | 4.5         | 4.5         | 4.5         | 4.5         | 4.5         |
| Korea                       | 3.5         | 2.5         | 4.5         | 4.5         | 4.0         | 4.0         | 4.5         |
| Micronesia                  | 2.0         | 1.5         | 2.0         | 2.5         | 2.5         | 2.5         | 4.5         |
| Philippines                 | 3.5         | 4.5         | 2.5         | 2.5         | 3.0         | 5.0         | 3.5         |
| People's Republic of China  | 3.5         | 3.0         | 3.5         | 3.5         | 3.5         | 3.5         | 3.5         |
| Republic of China (Taiwan)  | 3.0         | 3.5         | 3.5         | 3.0         | 3.0         | 3.0         | 3.0         |
| Russia                      | 6.5         | 5.5         | 7.5         | 7.5         | 8.5         | 7.5         | 6.5         |
| Switzerland                 | 6.5         | 5.5         | 7.5         | 7.5         | 8.5         | 7.5         | 6.5         |
| United Kingdom              | 6.5         | 5.5         | 7.5         | 7.5         | 8.5         | 7.5         | 6.5         |
| US Mainland (North America) | 4.5         | 4.5         | 4.5         | 5.5         | 5.5         | 5.5         | 5.5         |
| Other Europe                | 6.5         | 5.5         | 7.5         | 7.5         | 8.5         | 7.5         | 6.5         |
| Others                      | 3.5         | 3.5         | 4.0         | 4.0         | 3.0         | 3.0         | 3.0         |
| <b>Totals</b>               | <b>3.9</b>  | <b>3.9</b>  | <b>3.9</b>  | <b>3.9</b>  | <b>3.9</b>  | <b>4.0</b>  | <b>4.1</b>  |

Source: Palau Visitors Authority

20. One way or another, most destinations manage to cater for both high and low ends of the market. However, in Palau the commercial recreation operators feel strongly that the two ends do not mix well at marine attractions. Marine operators wish to stay up-market and to preserve Palau's competitive edge of quality. The accommodation sector is sympathetic to an upward trend, but is reluctant to let go of volume. Accommodation operators generally seek to maintain price, but need volume and at slow times will make the best of what is available. However, there is consensus in the industry that Palau will be best served in the medium-term by targeting high-yield markets in manageable volumes.
21. Some in the industry point to the charter flights as the cause of the perceived slide down-market. However, the competing destination of the Maldives manages to maintain a high-end position with a high proportion of charter flights. A key difference is that the Maldives has both scheduled flights and charters flying on all main access routes. Palau on the other hand has only charters flying from its top three source market countries. This predominance of charters is a vital problem.
22. Palau is serviced by four airlines and Palau International Airport handles on average 25 flights per week. Continental Airlines operates scheduled services whilst the other three airlines operate charter flights. Some charters fly at the same times each week. From the industry's point of view, the crucial element is that charters are sold by a tour agent and not by the airlines.
  - i) Continental Airlines flies daily scheduled flights from Guam, Manila, and Yap, with good onward connections to US, Japan, Hong Kong and Australia.
  - ii) Japan Airlines (JAL) operates charters from Japan up to 5 times per month in season (all year except June and October) and has been flying this consistently for many years.
  - iii) Asiana Airlines has recently started regular charters from Korea, 2 times per week at the same times each week.
  - iv) Until recently, Far Eastern Air Transport (FAT) flew charters from Taiwan, regularly 4 times per week, 7 times per week in February. FAT flights are currently suspended. China Air may replace FAT on the Taiwan route.
23. Charters are typically used to pioneer a new route. It is unclear why the three Asian carriers have maintained charters rather than switching to scheduled flights. One theory is that airlines wish to retain the greater flexibility of charters. Another is that there has been a belief that the Palau tourism industry wishes to maintain charters. Another that charters relieve the airlines of the burden of marketing the route.
24. In any case, the industry is clear that having major routes flown exclusively by charters with seats blocked to a single agent is bad for the industry. Firstly, this makes it difficult for third-country travelers to use the route, which means long haul markets such as Europe and US are not served as well as they should be. Secondly, and vital for Palau's push up market, at the higher ends of all world markets very few people fly in packaged groups. At the high end, both Asian and Western markets typically travel in family groups as free and independent travelers (FITs).
25. Reaching out to markets through destination marketing is the role of the PVA. The PVA budget was USD400,000 in FY1993, USD1,300,000 in FY2001 and is now USD725,000.

PVA collects and disseminates tourism statistics, undertakes international promotions and provides visitor information. These are typical functions of a national tourism organization. PVA's tag line for Palau is "rainbow's end". PVA's marketing activities include: arranging familiarization visits for travel trade and international media; attendance at trade and consumer shows in the USA, Europe, Asia and Japan; jointly run marketing seminars in Japan with Continental Airlines and road shows in Japan, Australia and other markets. PVA has 16 staff based in its office in Koror and representative offices for marketing and public relations in Japan, North America, Germany and the Philippines.

26. Palau's tourism resource base includes 1,706 sq km of reefs, lagoons, passes and mangroves and at least 70 marine lakes. Palau's marine ecosystems have the highest diversity of reef fish species within Micronesia. Terrestrial habitats are highly culturally significant but largely unexplored by tourism. Natural resources are managed by bureaus under Ministry of Resources and Development (MRD) and states, assisted by NGOs. The MRD currently has oversight over resource management at national level.
27. Palau has 28 conservation areas established under state and/or national legislation, covering 48% of near-shore, 19% of land and 20% of forests. The Palau Conservation Society (PCS) and The Nature Conservancy (TNC) play significant roles in conservation efforts in this regard, as do a number of smaller and locally based NGOs. All work with communities. The Environmental Quality and Protection Board (EQPB) is in charge of enforcing various environmental regulations. While to date, concern about tourism's environmental impacts has been confined to the relatively minor damage to reefs at popular dive sites, the recent virtual destruction of a prominent rock island on Makalal has created a backlash of resentment against inappropriate development.
28. Palau's major visitor attractions are diving and snorkeling. Palau is regularly ranked in the top three dive destinations of the world. Other water-based activities are developing, including sea kayaking and sport fishing. There is a limited number of cultural attractions. Festivals and events are important to the industry, for example the Micronesian Games, a multi-sports event, and the Olichotel Belau Fair, an annual cultural show. There are approximately 44 tour operators selling Palau, of which 13 are dive operators.
29. Foremost among the examples of potential tourism impacts on natural resources is Ongeim'l Tketau Jelly Fish Lake. 57% of all visitors to Palau visit Jelly Fish Lake, up to 300 in a day and up to 6,000 in a month. In 2007, the Koror State Government increased permit fees from USD10 to USD35 and has studied the results. Early indications are that there was decrease in numbers. Careful management, the cooperation of the whole industry, education and interpretation are required to help avoid adverse impacts.
30. There are approximately 43 tourist accommodation properties on Palau, totaling about 1,293 rooms, excluding homestays (PVA, 2007). There is a mix of accommodation styles ranging from: resorts (10); hotels (18); motels (6); cottages (4); homestays (7); and liveaboard boats (5). All but a few significant operations are foreign-owned. The Foreign Investment Board (FIB) permits oversea investments in tourism. The PCOC comments on investment on behalf of the Palau business sector.
31. Aside from resource management and conservation efforts, in general there is little direct involvement by government in facilitating tourism other than through the provision of infrastructure - sewerage, water, power, communications - many aspects of which need

attention, and funding PVA. The industry is largely private sector driven. Typical government functions in a successful tourism destination, such as the provision of attractive tourist precincts in urban areas or adjacent to the coast, are absent. The industry recognizes a major challenge is to engage with government to ensure the aesthetic quality and the standards consistent with its high-end aspirations.

32. Participation rates by Palauans in hotels range from 80% (Palau Pacific Resort) to nil. The FIB permits stipulate 20% Palauan staff as a minimum (or, a minimum investment of USD500,000). The industry would like to see Palauan participation raised to at least 50%, but acknowledge issues of attitude towards the industry and skill levels to be overcome. Tourism has the potential to employ Palauan youth and expatriate Palauans returning home. However, to realize this will require a long-term, dedicated capacity building program.

## **2.2 Recent developments**

33. In May 2008, a law was passed to split the MRD and eliminate the Ministry of Commerce and Trade (MCT). The law establishes the MNRET as well as a new Ministry of Natural Resources, Environment and Tourism (MNRET) and the Ministry of Public Infrastructure, Industry and Commerce (MPIIC). Both will become effective in January 2009. Although the specific functions, roles and responsibilities of MNRET are to be determined, based on an earlier Bill before the House, it is likely to include the promotion, exploration, exploitation and management of the natural resources of Palau, including marine and fisheries, agriculture, aquaculture, forests, mineral and other land-based and ocean-based resources; as well as the promotion and development of tourism; the protection and management of the environment; labor; and other related matters. The MPIIC will be responsible for maintenance, operation, engineering, and design of government-owned facilities and equipment; lands and surveys; land, sea and air transport; and ports and communications. Whereas previously the PVA answered directly to the President, the MNRET will introduce a Minister responsible for tourism. The fact that this Minister will also be responsible for managing Palau's national resources and environment establishes an opportunity for a potentially powerful synergistic relationship between tourism and protection of the environment. This partnership does not yet exist and, given the nature of Palau tourism, it should.
34. The Protected Areas Network (PAN) Act (2003, with Regulations being approved in April 2007) was significant for tourism not only because it creates a system for managing the protected areas network but also because it establishes an addition to the exit tax paid by departing passengers from Palau for funding the network. Under the Act, while states retain ownership of the protected areas, management is assisted by the PAN Steering Committee (comprised of states, relevant government agencies and NGOs). Currently before the Senate is the PAN Self-Sustaining Financing Bill which seeks to establish the PAN Corporation which would distribute funds for the management of PAN sites. The funds are proposed to come from an arrival or tourist fee (of between USD35 and USD50). Some 70% of the funds would be for the management of the sites while the remaining 30% would be for operating costs, operations and technical support provided by the PAN Office.

35. Other significant tax changes have been mooted or applied. In 2007, a Tax Review Task Force and in 2008, a Tax Reform Committee made recommendations for tax changes. The Olbil Era Kelulau (OEK) has approved some changes. Among the Tax Reform Committee recommendations were the following of relevance to tourism:
- i) a USD10 (up to USD100) or 10% (after USD100) Room Tax and Vessels Cabin Tax, aimed at dealing with “the problem of under-valuing room charges particularly for certain tour packages”. This has been approved and will be effective from June 2008.
  - ii) an airport departure tax of USD25 for both citizens and non-citizens (with exemptions for children under 3, Palauan students traveling to school, medical referrals and masters, pilots and other crew of vessels or aircraft lawfully operating in Palau) – a change from the existing USD20 for visitors and USD10 for Palau passport holders. Not approved.
  - iii) an increase in Foreign Labor Fees to USD500 generally, except for domestic helpers to be set at USD250. Not approved.
  - iv) a Vehicle rental tax of 10% on the rental rate per day of each motorized rental vehicle including automobile, motorcycle, mopeds and water vessels and craft. Not approved.
  - v) a USD100 “entry fee” for all travelers to Palau, incorporated into the cost of the airfare or vessel ticket. Returning residents may request refunds. Not approved.
36. The Compact Road around Babeldaob has recently been completed. The high quality road forms a loop of 85 km around the island linking 10 states. A total of around 50 km of secondary road either exist or are planned within the states of Aimeliik, Ngatpang, Ngaremlengui, Ngardmau, Ngiwal, Melekeok and Ngchesar. In most cases, these secondary roads will lead to villages on the coast.

### **2.3 Previous Planning Studies**

37. The tourism component of the 1996 National Master Development Plan 2020 (NMDP pp 8-1) concluded that *“the low-in-number, high quality, high cost establishments, in many ways, seem more suited to the ecosystem, but serving that market will require a much higher participation rate by Palauans and may not, because of imports and the need for foreign skills, create the flow-on effects expected.”* The NMDP also noted: unrealistic expectations about the potential benefits from tourism; lack of information was resulting in poor investment decisions; the need for controls and charging systems to protect the environment and cultural interests; and a problem of Palau having no clear image in the tourism market place. Although tourism has grown since, concerns about capturing benefits and the image problem remains. The NMDP findings have informed the work of the TAP Committee in preparing the Tourism Action Plan.
38. In 1997, PVA prepared a Sustainable Tourism Policies and Action Plan. A National Committee on Sustainable Tourism Policies and Action Plans later reviewed the plan and in 2001 issued a revised version. This recommended strategic goals for the industry such as: minimize mass tourism; increase Palauan participation to 75% of workforce; establish an industry training program at PCC; develop guidelines for sustainable development; strengthen political and traditional support; help Palauans to regain control; increase awareness of tourism; enforce environmental regulations; create a

Sustainable Tourism Unit within the Office of the President; attend to land use planning and environmental aesthetics; promote green practices; promote community benefits; protect natural and cultural sites; provide technical assistance (TA) for increasing local participation; support PAN system; investigate and promote ecotourism; and improve working conditions. This plan also had an influence on the TAP Committee, including reflecting on why it had not been implemented.

39. In 2000, the JICA Study for Promotion of Economic Development in the Republic of Palau contained a major chapter on tourism. This is the most comprehensive assessment of tourism to date, but made few specific recommendations. The study portrayed Palau then as a successful dive destination, predominantly based on the Japanese dive market, into which, in the mid 1990s, Taiwanese tour operators had introduced package tours based on non-diving recreational activities. The tourism chapter concluded with a vision of Palau tourism based around four main themes: diving tourism; marine recreation; nature exploration tourism; and historic and culture excursion tourism. Product improvements were recommended including careful management of dive sites and more professional guiding for recreational tours.
40. The JICA Study forecast three growth scenarios, predicting that a continuation of present patterns would mean 66,000 visitors by 2009 and 73,000 by 2020; more diversification and marketing would produce 90,000 by 2009 and 138,000 by 2020; and an accelerated development scenario could produce 165,000 by 2009 and 450,000 by 2020. A separate chapter of the Study contained a Pre-feasibility Study on Peleliu Tourism Development Plan. Estimating the carrying capacity of Palau's dive spots at 90,000 divers per year, the Study proposed the phased development of a dive-focused resort on Peleliu aimed at catering for 45,000 visitors by 2020. Restoration of the wartime airstrip on Peleliu was a feature of the proposal.
41. In 2002, the South Pacific Project Facility (SPPF) of the International Finance Corporation (IFC) convened a Palau Tourism Task Force to assist the Office of the President in the formation of the Sustainable Tourism Unit, as recommended by the 2001 Sustainable Tourism Policies and Action Plan. The Task Force's report recommended a National Tourism Unit (NTU) as an agent of change with responsibilities for tourism policy formulation and regulations and oversight of administration areas that impact on tourism such as aviation, human resources and training needs, infrastructure provision, development control and investment promotion. The NTU was envisaged as a means to elevate support for the tourism industry in these areas to a level that, at the time, was not being provided by PVA. The NTU concept went as far as a draft Executive Order, which was not signed.
42. In 2006, an IMF Selected Issues Paper on Palau included a chapter on Determinants of Tourism Flows and Future Prospects. Noting that Palau tourism appears relatively competitive, the assessment concluded that: Palau seems well suited to high-end markets; the Japanese dive market is attractive; future prospects for tourism generally are promising; foreign investment regulations should be relaxed and policies for eco-friendly tourism are required.
43. The FEIM's Environmental Overview Report noted that the environmental characteristics that Palau's tourism sector relies on are the same characteristics that are currently at risk from poor land use planning and environmental management practices (e.g. Palau Royal Resort located adjacent to bulk oil storage and the Landmark Hotel adjacent to the

Koror Landfill). The report also noted that tourism has developed largely around diving and there is a need to manage watersheds and in others ways protect coral reefs and marine resources. In addition, the report noted other specific environmental risks that threaten tourism in Palau, including:

- Selling of some goods at gift and souvenir shops contravene CITES;
- Congestion and over-crowding at dive sites causing damage to reef ecosystems (anchors, divers colliding with corals, fuel spills from boats, inappropriate moorings);
- Visitors not being advised to not touch corals, remove clams or other marine organisms;
- Spear-fishing leading to depletion of fish stocks at certain sites;
- Reduction in attractiveness of sites as a result of debris, garbage, sedimentation and silt-laden run-off impacting water quality and polluting sites

44. In order to address a number of the foregoing risks, the report called for tourism site capacity assessments. The assessments would assist in setting targets and minimum environmental standards for tourism overall as well as setting guidelines to the carrying capacity of specific and individual sites that are important to tourism in Palau.

### 3. Comments on the Tourism Action Plan

45. The TAP Committee's approach was influenced by the strategic priorities that have been established by the TA for the medium- term development framework:
- i) preserving key values and advantages;
  - ii) achieving consensus for change; and
  - iii) addressing key binding constraints.
46. Palau's values and advantages are vitally important to tourism. This is reflected in the priority settings for the actions. Within the tourism sector there is now a strong consensus with the Action Plan. In this regard it is significant that the Tri-Org itself presented the Draft Action Plan to the PSC. The binding constraint of dependency on external resources is reflected in a lack of national entrepreneurial capacity in the tourism sector. However, while in the past the tourism sector may have had the attitude that "someone else" was to blame, industry leaders are currently highly motivated to lead action for change. The sector expects to produce taxes to pay for the government services it needs. The "conflicts of interest" bind impacts tourism as it does other sectors in regard to the rigor and fairness with which development proposals are vetted.
47. The TAP Committee arrived at the Action Plan's goal: "to upgrade the image of Palau as a tourist destination, and position Palau as the island of choice for environmentally conscious visitors, with quality visitor experiences and high financial and other benefits to Palau on a sustainable basis". The measures of success in achieving the goal will be: i) tourist market perceptions of Palau moving upwards; ii) environmentally conscious visitors choosing to come and are satisfied; and iii) a substantial, sustainable stream of benefits flowing from tourism to Palau.
48. The detailed descriptions of the actions was influenced by the TAP Committee's wish that as well as saying "what will be done?", "who will do it?" and "how much will it cost?", the explanation for actions should also indicate "how it will be done" and "what will be the outcome". The Committee was determined that no aspect of the actions would be misunderstood. Each issue is assigned a strategy and each action is described in a way that implies not only the implementation strategy but also likely outcomes.
49. A lead agency is nominated for implementation of each action. In addition, it is envisaged that the TAP Committee of the Tri-Org will be a driving force for all actions. The Tri-Org combines government, industry and the wider private sector and is potentially a powerful agent of change. Harnessing and directing the power of the Tri-Org is commended as an overarching implementation strategy for the tourism component of the MTDS.

#### 4. Summary of the Tourism Action Plan

See Appendix 3 for updated Action Plan as at December 2009

**Goal: “To upgrade the image of Palau as a tourist destination and position Palau as the island of choice for environmentally conscious visitors, with quality visitor experiences and high financial and other benefits to Palau on a sustainable basis”**

| Issue / Strategy   | Action No. | Action   | Overall Priority (Rank)* | Responsibility  | Cost (USD)    | Timing |
|--|------------|--|--------------------------|-----------------|---------------|--------|
| <i>Enabling Environment</i><br>Creating a conducive environment for tourism and for taking care of tourism’s resource base / clarify organizational roles, align the agendas of government agencies to tourism’s goals and create partnerships for solving key issues. | 1          | <b>Brief new Minister of Natural Resources, Environment and Tourism on the roles of tourism organizations</b>  | 8 (12)                   | TAP and PVA     | Nil           | Year 1 |
|  | 2          | Create a partnership for the environmental management of key tourism resources.  | 10 (1)                   | MNRET & Tri-Org | \$100,000 R   | Year 1 |
|  | 3          | Create partnerships to help in other priority issues.  | 4.5 (16)                 | Tri-Org         | \$75,000 R    | Year 3 |
| <i>Markets and Marketing</i><br>Positioning Palau tourism in the world tourism marketplace / refocus the national tourism product, rebrand the destination, properly fund destination marketing and build effective public / private / partnership for                 | 4          | Refocus Palau’s position as a quality holiday destination.   | 9.25 (5)                 | TAP and PVA     | 50,000 C      | Year 2 |
|  | 5          | Reform the taxes paid by tourists and include a charge to fund destination marketing.  | 8.75 (9)                 | Tri-Org         | Nil           | Year 3 |
|  | 6          | Target destination marketing activities to encourage low volume / high spend styles, discourage high volume / low spend styles and avoid undesirable segments. | 9.5 (2)                  | PVA             | \$1,300,000 R | Year 2 |

| <b>Issue / Strategy</b>   | <b>Action No.</b> | <b>Action</b>  | <b>Overall Priority (Rank)*</b> | <b>Responsibility</b>                               | <b>Cost (USD)</b> | <b>Timing</b> |
|---|-------------------|--|---------------------------------|---|-------------------|---------------|
| implementing destination marketing  |                   |  |                                 |   |                   |               |
| <i>Access and Transport</i><br>Improving air access / adjustments to bilateral air service agreements   | 7                 | Review air service agreements with a view to encouraging additional carriers, increasing scheduled flights and reducing charter flights. | 8 (13)                          | Tri-Org   | Nil               | Year 3        |
| <i>Products &amp; Attractions</i><br>Diversifying and improving the product base / improving existing products and attractions and developing new attractions to match rebranding | 8                 | Prepare a thematic tourism development plan for Babeldaob.   | 8.75 (10)                       | PVA / Tri-Org / Governors Assoc.                    | \$25,000 C        | Year 3        |
|   | 9                 | Develop a training program to assist states to foster "ecotourism, Palau-style".   | 9.5 (3)                         | PVA / MNRET / MCCA / PCC / PSC / SBDC / Koror State | \$250,000 C       | Year 2        |
|   | 10                | Advocate enhancing the tourist appeal of Malakal, Koror, Ngerkebesang and Airai.   | 8.75 (11)                       | BTA   | Nil               | On-going      |
|   | 11                | Evaluate tourist cruise visits and visiting private vessels and address constraints.   | 7 (14)                          | PVA / BTA   | \$50,000 C        | Year 3        |
|   | 12                | Pool market information and develop strategies for other target segments.  | 9.25 (6)                        | PVA / BTA   | < \$25,000 R      | On-going      |
| <i>Accommodation</i><br>Increasing private sector investment in quality accommodation/attractin   | 13                | Encourage investment in quality, high-end accommodation.   | 9.5 (4)                         | PCOC  | < \$25,000 R      | Year 1        |
|   | 14                | Promote product quality upgrades.  | 7 (15)                          | BTA / Tri-Org                                       | \$75,000 R        | Year 3        |

| Issue / Strategy   | Action No. | Action  | Overall Priority (Rank)* | Responsibility                | Cost (USD)    | Timing       |
|--|------------|---|--------------------------|-------------------------------|---------------|--------------|
| g new investment and encouraging upgrading of existing operations  |            |   |                          |                               |               |              |
| <i>Human Resources</i><br>Encouraging Palauan participation in the tourism industry / improving vocational and in-service training and showcasing Palauan hospitality. | 15         | Develop vocational training in the skills of tourism. | 9.25 (7)                 | BTA / PCC / Min. of Ed. / PHS | \$1,000,000 C | Years 2 to 5 |
|  | 16         | “AliiHost” hospitality training for front-line staff. | 9.25 (8)                 | Tri-Org                       | \$200,000 C   | Year 4       |

\*Priority rankings were assessed by the TAP Committee of the Tri-Org.

Note: “R” indicates recurrent cost; “C” indicates capital cost.

Summary:

Total capital costs: \$1,600,000

Total recurrent costs: \$1,575,000

## 5. Tourism Strategies and Actions

50. The matrix in Chapter 4 summarizes the priority actions for the tourism sector, indicating the level of priority, responsibility for implementation, indicative cost and proposed timing. The Tourism Action Plan Committee of the Tri-Org arrived at these priority actions and the Tri-Org has endorsed them. The Tri-Org is a joint action group comprising the Boards of Directors of the Palau Visitors Authority, the Belau Tourist Association and the Palau Chamber of Commerce. A brief narrative explanation is presented in the following sub-section, outlining the implementation envisaged by the Tri-Org for each priority action.

### 5.1 Enabling Environment

*Issue: creating a conducive environment for tourism and for taking care of tourism's resource base.*

*Strategy: clarify organizational roles; align the agendas of government agencies to tourism's goals; and create partnerships for solving key issues.*

#### 5.1.1 Action 1: Brief new Minister of Natural Resources, Environment and Tourism on the roles of tourism organizations.

51. The TAP Committee of the Tri-Org and the PVA will respond to the recent Law establishing a Ministry of Natural Resources, Environment and Tourism (MNRET) by rapidly reviewing the functions of Palau's tourism organizations and standing ready to brief the new Minister. The aim will be to clarify roles and relationships between MNRET and the agencies of the Tri-Org. In broad terms it is envisaged that MNRET will address national policy issues and ensure the sector's interests are considered in all national-level planning. A separate tourism unit within the Ministry is not envisaged. Rather, PVA will provide advice to the Minister as well as undertaking international marketing in partnership with the private sector and deliver product development advice nationally, including to states and businesses. BTA will act as the private sector industry's advocate voice, creating awareness of tourism nationally and coordinating domestic promotions. The Chamber of Commerce's role will be to promote investment in tourism, facilitate linkages with other industry sectors and contribute suggestions for policy and institutional change of benefit to tourism and the private sector as a whole. The Tri-Org will continue to ensure coordination among tourism sector organizations.

### **5.1.2 Action 2: Create a partnership for the environmental management of key tourism resources.**

52. The Tri-Org will, as the highest priority action, create a permanent means to link the tourism sector with all agencies concerned with environmental management of key tourism resources. The Tri-Org will help the MNRET to facilitate this action. The aim will be to engage with these agencies - including Koror and other key states, PCs and other NGOs involved in environmental management and EQPB – in a regular forum for identifying and solving environmental management problems of concern to the tourism industry.
53. The main concerns of the industry center around stress on sensitive environments caused by high visitor volumes without management. The industry wishes to assist with the imposition of constraints on careless tourism operators and to solve site congestion problems. It also wants to help address other issues such as: marine and terrestrial pollution; the protection of marine life from other threats; and funding for national-level promotion of conservation awareness.
54. Preliminary discussions with resource managers have resulted in the idea of a biannual conservation and tourism forum. At this forum, environment problems would be identified, solutions would be discussed, responsibilities for action would be agreed and progress on previous agreed actions would be reported.

### **5.1.3 Action 3: Create partnerships to help in other priority issues**

55. The Tri-Org will, with approvals and assistance from MNRET, establish arrangements to help relevant agencies to address other issues of concern to the tourism sector. The Tri-Org will oversee these arrangements and coordinate industry support. For example, two issues of immediate concern are: i) enforcement of prostitution laws (the industry wishes to stop any suggestion of sex tourism) and ii) enforcing the authenticity of “made in Palau” labels on souvenirs.
56. Other issues may include: improving telecommunications for the tourism sector; infrastructure for tourism; and marine emergency management. The Tri-Org will offer practical help to the concerned government agencies. Whenever regulations and controls are required, the Tri-Org will coordinate industry inputs. As well as helping to solve problems, this action will ensure that the industry stays in touch with the agencies addressing them.

## **5.2 Markets and Marketing**

*Issue: positioning Palau tourism in the world tourism marketplace.*

*Strategy: refocus the national tourism product, rebrand the destination, properly fund destination marketing and build effective public/private/partnerships for implementing destination marketing.*

#### **5.2.1 Action 4: Refocus Palau's position as a quality holiday destination**

57. The TAP Committee of the Tri-Org will assist PVA to refocus Palau's position in the world tourism marketplace. Whereas Palau was previously known as a quality dive destination, its quality positioning has been reduced in recent years through the introduction of budget group packages. While the accommodation sector in particular needs group packages in the short-term, the whole industry recognizes that Palau tourism would be best served in the medium-term if its previous quality positioning can be reestablished. Palau's reputation as a world-class dive destination needs to be rekindled and other activities, attractions and values need to be added to broaden its appeal.
58. The TAP Committee and PVA will lead the branding exercise in a series of workshops aimed at pooling the expertise of tourism industry leaders. The process has already started. TA will be sought. Inspiration comes from the fact that the Maldives, a competitive dive-focused destination, has recently successfully branded itself with the brand values of "sunny side of life, relaxed, island life, up market, destination hotels". Palau's brand values are likely to be similar, including "pristine beauty and marine activities associated with relaxed, holiday atmosphere among welcoming people".
59. While this branding work is envisaged as a tourism sector exercise, the resulting brand could be adopted by other sectors as a holistic, Palau products brand. The brand values will be used by PVA to shape its marketing activities and its product development advice. In future, there will be no confusion about where Palau tourism is positioning itself.

#### **5.2.2 Action 5: Reform the taxes paid by tourists and include a charge to fund destination marketing**

60. The Tri-Org will work with the Ministry of Finance to ensure the industry's views are made clear on tax issues. Of primary concern to the industry is that a portion of the monies collected from visitors on exit should be dedicated to tourism destination marketing. The industry's motive is to ensure secure and sustainable funding for destination marketing. A "tourism charge" could either come from the Green Fee, USD10 of which is to be directed to the General Fund, or from the existing Exit Tax, all of which is now directed to the General Fund, or from an addition to the Exit Tax specifically for the purpose. A precedent could well be set if the proposed arrival fee (under the PAN Self-Financing Act) is approved.
61. The Tri-Org will also carry to the Ministry the industry's concerns about compliance difficulties around the new tax on hotel rooms and vessel cabins. The Room Tax and Cabin Tax (USD10 up to USD100 per room per night and 10% thereafter) was introduced in order to address "the problem of under-valuing room charges particularly

for certain tour packages". The industry supports this objective but believes the Room Tax and Cabin Tax will prove difficult to administer. If so, the Tri-Org will raise the prospect of a further addition to the Exit Tax, on top of the Green Fee and tourism charge, as an efficient alternative to the Room Tax and Cabin Tax. Incorporating the Exit Tax with payments for air tickets is preferred in order to minimize difficulties for departing passengers.

### **5.2.3 Action 6: Target destination marketing activities to encourage low volume / high spend styles, discourage high volume / low spend styles and avoid undesirable segments**

62. PVA will lead the preparation of a PVA Marketing Plan aimed at refocusing of Palau's destination marketing efforts. The Plan will be prepared over a two-year period through discussions with the industry. The Plan will be a practical document based around the idea of an annual marketing cycle. The cycle will include industry participation at key decision times. The brand values arrived at through action point 4 will be articulated and measurable; medium-term marketing objectives will be established around them. Target markets will be listed. Primary target countries are likely to remain: Japan, USA, Europe, Taiwan and Korea. Target segments within these markets will be explained and are likely to include: divers; "silver market" (older age group); weddings; sport tourism; and other high spending, special interest market segments. Along with the reliable and consistent market segment of Japanese divers, diving segments from all over the world will be targeted. High spending holiday segments from all Asian countries, including expatriates, and diving clubs in PR China will be included in the targets.
63. Core promotional images to attract these markets are likely to remain diving and snorkeling. New activity images will be added to broaden the appeal, especially around: culture; weddings; and travel for "meetings, incentives, conferences and exhibitions" (MICE). Other strengths will be emphasized including: clean, safe, stable, language, weather, accessibility. PVA will detail marketing action points for each target market, using cost-effective strategies, including Palau government and private sector presence at selected trade shows. The role of representative agents will be clarified and marketing partnership arrangements with the private sector will be outlined. PVA's expectations of the industry in regard to familiarization trips, etc will be clarified. PVA's approach to collecting and publishing tourism statistics will be highlighted.

## **5.3 Access and Transport**

*Issue: Improving air access.*

*Strategy: adjustments to bilateral air service agreements.*

### **5.3.1 Action 7: Review air service agreements with a view to encouraging additional carriers, increasing scheduled flights and reducing charter flights**

64. The Tri-Org will lead a program to put the tourism sector's perspective to the decision-makers about air service agreements. It will make clear that the industry is strongly in favor of increasing the number of scheduled flights to Palau and wishes to reduce the number of charter flights. For various reasons, Asian airlines have been flying regularly to Palau for many years from key markets but only on a charter basis. While on the positive side these charters include the dedicated services of an outbound agent in the country of origin, on the negative side they create difficulties for agents and individuals from other countries in accessing the flights. It is currently very difficult, for example, for a European agent to book on the routes flown to Palau by charters.
65. While bilateral air service agreements may not be the problem, they could be a solution. For example, future air service agreements could stipulate that carriers with regular charters will establish at least some flights as scheduled flights. New carriers may be granted a period of charters to prove the route, before scheduled flights begin. The continuation of some charter flights is desirable in the short term to maintain current volumes. However, the prospect of Palau continuing to be a destination dominated by packaged charter flights runs counter to where the industry wishes to position Palau.
66. The industry's test of success of this action point will be whether third-country agents can easily link with all access routes being flown to Palau. The industry respects the commitment to tourism and marketing efforts of Continental Airlines. It wishes to encourage other carriers to do the same and to make similar commitments to marketing Palau.

### **5.4 Products and Attractions**

*Issue: diversifying and improving the product base.*

*Strategy: improving existing products and attractions and developing new attractions to match rebranding.*

### **5.4.1 Action 8: Prepare a thematic tourism development plan for Babeldaob**

67. The PVA will lead, and the TAP Committee of the Tri-Org will support and assist, in the preparation of a thematic tourism development plan for Babeldaob. The aim will be to provide advice to the 10 states of Babeldaob on how to respond to the opportunities presented by the Compact Road and to guide the orderly development of tourism throughout the island. The industry predicts that in future a large proportion of tourist visits will include land travel on the Compact Road. The plan will be prepared in collaboration with the Governors Association, with participation by the tourism representative of the 10 states of Babeldaob and with input from the tourism industry

through BTA. TA will be sought for this planning work, which will help realize the development benefits of the Compact Road.

68. The plan will be thematic in the sense that it will identify tourism development themes – types of attractions, styles of development, etc – for each state and differentiate the tourism products around the island to avoid inefficient duplication. The aim will be to encourage visitors to venture widely throughout the island, thus spreading the benefits of tourism. The plan will include an analysis of internal transportation needs for tourists traveling throughout all 16 states, identifying transport needs for groups and for those who come as FITs and including a review of air and sea transport options to remote states.
69. Social development goals and cultural constraints will be factored into the plan, state by state. The plan will highlight opportunities for private sector investment and for state government actions. Particular attention will be paid to the location of keystone developments such as resorts and golf courses. Appropriate styles and scales of developments will be suggested. State-level strategies for creating linkages and synergies between private sector tourism developments and the social and environmental protection agendas of the states will be outlined. These strategies may be adopted by the states in their business plans.

#### **5.4.2 Action 9: Develop a training program to assist states to foster “ecotourism, Palau-style”**

70. PVA will lead, and the TAP Committee of the Tri-Org will support and assist, a capacity building program for the tourism representatives of all 16 states in techniques to foster community participation in tourism. The industry wishes to encourage states to be proactive in fostering the community benefits from tourism. Tourism will be more sustainable if all future tourism developments engage with the social, cultural and environmental agendas of states, and through the states, with communities. The tourism industry itself will gain, and the tourist’s experience will be richer, if the operations are responsive to local social, cultural and environmental issues. This rationale will be the basis for a uniquely Palauan definition of “ecotourism, Palau-style”, as “tourism based on nature and culture that contributes to the social, cultural and environmental agendas of the host state”.
71. With the support of the industry through BTA, PVA will convene a committee comprising MNRET, the Ministry of Community and Cultural Affairs, the Palau Community College, the Palau Conservation Society, the Small Business Development Center and Koror State. This committee will oversee preparation and steer implementation of a capacity building program for the state tourism representatives. The aim will be to provide the tourism representatives with the knowledge, skills and confidence needed to guide the development of tourism in the state. A national-level training workshop will be followed by traveling seminars taking participants around selected states, working with the tourism representative of that state to develop his or her approach. Training topics will include: how communities can access assistance for the care of natural and cultural heritage sites; how to approach communities with tourism development ideas; how to stimulate the development of small, locally-owned businesses associated with natural and cultural sites; how to foster partnerships between private sector tourism operations

and the states. TA will be sought to plan and facilitate this training project. Training expertise will be sourced within Palau.

#### **5.4.3 Action 10: Advocate enhancing the tourist appeal of Malakal, Koror, Ngerkebesang and Airai**

72. BTA will lead the advocacy for more attention to the aesthetic qualities and tourist attractions of the central tourism areas of Malakal, Koror, Ngerkebesang and Airai. The industry feels the need for general attention to: beautification of the urban environment; the creation of tourist-friendly precincts, including shopping areas; and the development of culturally focused tourist attractions. The industry's appreciation of these needs has come from feedback from visitors. Beautification is required to enhance the initial impression of Palau and to deliver on the promotion of environmental quality. Tourist-friendly shopping precincts are required in order to give visitors something to do in between diving or on wet days. Visitors report a desire for more cultural attractions.
73. The industry also feels that a cultural centre of some kind is required to tell the historical stories and explain the lifestyles of the peoples of Palau and promote travel to remote areas. This could be associated with the existing Cultural Centre in Koror and the museums of Koror. It could be owned and operated by the private sector. In any event it should be a focal point for promoting travel to remote areas for educating visitors about the cultures of Palau and about appropriate behaviors when visiting local communities. BTA's advocacy program will include regular events to enhance tourism awareness for politicians and senior public servants, an ongoing dialogue with EQPB, and regular meetings with the Koror State Government on urban planning issues.

#### **5.4.4 Action 11: Evaluate tourist cruise visits and visiting private vessels and address constraints**

74. PVA and BTA will cooperate in a study to examine the growth potential of the cruise and visiting private vessels markets. The industry sees the need to investigate satisfaction levels of cruises that currently come to Palau and, importantly, to investigate the reasons for those not coming to Palau. The basis for the industry's interest is that cruise tourism is currently growing strongly throughout the world (11% per year between 2000 and 2005). Southeast Asia grew 950% in 2006 to capture 0.75% of the world market. In the same year, South Pacific cruising increased 120% to 1.78 % of the world market. (Source: Cruise Lines International Association Brochure Destination Analysis, quoted in South Pacific Cruise Shipping Development Strategy 2007).
75. Cruisers are a high spending market. 82% of cruisers worldwide are American. The average spend in 2006 was USD1,690 per person/week. Hong Kong, Singapore and Taiwan are developing as Asia's cruise centers. Three large corporations share 80% of the world cruise market. The industry's feedback from cruises is that the marine attractions are positive for Palau, lack of channel markers and docking facilities are constraints and a centrally located cultural attraction would be a positive. Similar conclusions may apply to the owners of visiting private vessels, who are also likely to

respond well to tourist marinas with service facilities. TA to investigate Palau's future prospects in the cruise market will be sought. Environmental issues associated with foreign vessels in sensitive marine environments will be addressed..

#### **5.4.5 Action 12: Pool market information and develop strategies for other target segments**

76. PVA and BTA will cooperate in an on-going program of pooling the market knowledge of Palau's industry leaders as a means to make judgments about other potential ways to diversify the industry's product mix. The key to diversification is to match new product ideas with the motivations and satisfactions of new markets. Assisted by PVA, BTA will systematically examine the needs and opportunities associated with new product ideas and new target markets suggested by members. BTA will weigh the product ideas against potential market interest. The results will be collated and compiled over time and shared with the industry in newsletters.
77. To begin, target markets on the BTA's agenda for consideration will be: the "silver market" (older age visitors); Guam military families; R&R visits by military vessels; sports tourism; the wedding markets; and "volunteer services". New products and ideas will be invited, especially "things other than diving and rock island trips", including golf, shopping complexes, facilities for visiting private vessels, etc. PVA will use these meetings as opportunities to suggest new marketing approaches. The prospect for joint marketing of multi country packages will be considered. Ideas for major new investments, such as the proposed retirement village and golf course development, will also be examined.

### **5.5 Accommodation**

*Issue: Increasing private sector investment in quality accommodation.*

*Strategy: attracting new investment and encouraging upgrading of existing operations.*

#### **5.5.1 Action 13: Encourage investment in quality, high-end accommodation**

78. PCOC will lobby government for effective policy for foreign involvement in the tourism industry. In addition to reviewing regulations, the Chamber will encourage private sector investment promotion tourist accommodation with emphasis on "quality, high-end" accommodation. The Chamber will refine a definition of "quality, high-end". Moderate sized or boutique resorts at or near the top of the market will be encouraged. Operators willing to be responsible in ways such as employing Palauan staff and adopting social, cultural and environmental agendas will fall within the definition of "quality".
79. The Chamber will work with PVA in encouraging states in the preparation of the tourism development components of state business plans. The Chamber will also investigate

new transport options and other ways to support tourism development on remote islands. Resort management chains that specialize in island properties and that have their own market following will be encouraged. Ways will be sought to encourage investors who are willing to be responsible in ways such as employing Palauan staff and engaging with the states in social, cultural and environmental programs.

### **5.5.2 Action 14: Promote product quality upgrades**

80. BTA will lead, and PVA and PCOC will assist with, an on-going program to encourage existing operators to upgrade and to push their market position upwards. This will be achieved in three ways. The existing “Bai rating” concept (an industry standards program) will be implemented and widely promoted. A program of annual tourism industry awards will be introduced, with the highest award going to an existing business that has most successfully tracked its market upwards. Promotional material will be developed for clusters of “quality, high-end” products. To be included in these clusters and associated with the promotional material, an operation must achieve an agreed Bai rating.
81. In these ways the industry will encourage operations that have established themselves in lower end markets to upgrade and add value and it will discourage the continuation of tired hotels sitting on prime sites. The Chamber will attempt to negotiate incentive arrangements for property upgrades with the Ministry of Finance, provided that the properties also participate in the “quality” factor of Palauan employment and engagement with social, cultural and environmental programs. The Chamber will also take an interest in ensuring that health and safety regulations and building codes are enforced.

## **5.6 Human Resources**

*Issue: Encouraging Palauan participation in the tourism industry.*

*Strategy: improving vocational and in-service training and showcasing Palauan hospitality.*

### **5.6.1 Action 15: Develop vocational training in the skills of tourism**

82. BTA will represent the industry in a partnership with PCC / Ministry of Education / and Palau High School to develop vocational training in tourism skills for Palauan youth and youth from elsewhere in Micronesia. A Memorandum of Understanding is about to be signed between these partners. As well as encouraging and supporting training generally, the partners will seek to dramatically upgrade the program through the addition of a dedicated tourism vocational training facility. A suitable building has been found within the PCC campus and plans are being prepared. The facility would house

practical training environments for: front office; back office, restaurant; kitchen; rooms; and tours and travel services.

83. While elsewhere in the Asia/Pacific region Government tourism training schools have a mixed reputation, there are examples of spectacular success. Vocational schools in Hawaii and Indonesia have successfully taken youth with no skills and prepared them for entry-level into hotels. Despite a widespread perception that Palauan youth are not interested in the hospitality industry, the industry believes there is scope to improve by changing attitudes. Demand would increase through the availability of good quality training. The industry will commit to assisting with practical internships for trainees during and after training.

**Action 16: “AliiHost” hospitality training for front-line staff**

84. The Tri-Org will implement this action point in partnership with PCC. The idea is borrowed from Canada’s “SuperHost” program. Other successful tourism destinations have used the concept - Australia (AussieHost); New Zealand (KiwiHost); Northern Ireland (WelcomeHost); and Singapore (SuperHost Singapore). There is a need to make visitors to Palau feel welcome. There are many people in visitor-contact positions whose attitude, while they may not realize it, has an influence on the visitor’s experience. Encouraging these people to be friendlier to tourists will contribute to stimulating tourism.
85. The Alii Host program will address this need through hospitality training to encourage friendliness and increase awareness of tourism in front-line personnel. Training would be pitched at airport staff (immigration, customs and security personnel), transport workers (taxi drivers, boat operators), and small hotel, shops and restaurant staff. Some larger hotels and tour operators may also find the course useful. SuperHost teaching materials will be purchased. A small team of Palauan trainers will conduct the training. If an initial trial course is successful, subsequent courses may be offered on a user-pays basis, including possibly to other tourist destinations of Micronesia.

## APPENDIX 1: MISSION DIARY OF TOURISM SPECIALIST

| <b>DATE</b> | <b>ACTIVITIES</b>   | <b>LOCATIONS</b>   |
|-------------|---|--------------------|
| May 8       | Depart Wellington Airport 2000 hrs on Flight NZ480<br>Depart Auckland Airport 2355 hrs on Flight SQ282 (Boeing 777-200)   | <i>New Zealand</i> |
| 9           | Arrive Singapore Airport 0645 hrs on Flight SQ282<br>Depart Singapore Airport 1705 hrs Terminal 2 on Flight SQ918<br>Depart Manila Airport 2210 hrs on Flight CO892<br><i>Accommodation: Palasia Hotel</i>  | <i>Singapore</i>   |
| 10          | Arrive Koror Airport 0150 hrs on Flight CO892<br>Background reading and mission prep<br><i>Accommodation: Palasia Hotel</i>   | <i>Koror</i>       |
| 11          | Background reading and mission prep<br><i>Accommodation: Palasia Hotel</i>  | <i>Koror</i>       |
| 12          | 0830 Meet office team Ms Alfonsa Koshiba, National Coordinator, PINZ; Mr Rhinehart Silas, MOF Focal Contact; Ms Sonya, Admin Support<br>AM Met Darin De Leon, Managing Director, Palau Visitors Authority (PVA) and attended meeting of the PVA/ BTA Marketing Committee, including Ms Yumie Morishita, Marketing and Research Manager, PVA; Mr Sam Scott, President, Sams Tours; Mr Yuji Beppu, Sales Manager, Palau Royal Resort; Ms Ilebrang U Olkeriil, Coastal Management Officer, Koror State Government; Mr Takayuki Suzuki, Tour Coordinator, Impac Tours; Mr Kazuo Osada, Director of Sales, Palasia Hotel and Ms Eunice Rafaul, Executive Director, Belau Tourism Association (BTA).<br>PM Background reading and mission prep<br><i>Accommodation: Palasia Hotel</i> | <i>Koror</i>       |
| 13          | 0930 hrs presented credentials to PSC Committee Meeting, including: Minister Sadang (MOF)/ Chairman; Minister Koshiba (MRD) / Vice Chairman; Minister Katosang (MOE); Nick Ngwal (MOH Admin); Director Techur Rengulbai (Public Works); Mr Tmetuchl Baules, PCOC; Mr Darrin De Leon, PVA; Ms Alfonsa Koshiba, NC PINZ and Mr Rhinehart Silas, MOF Focal Contact<br>1030 – 1400 hrs briefing workshop with Mr Darin De Leon and Mr Tmetuchl Baules (TB), Executive Director of the Palau Chamber of Commerce.<br><i>Accommodation: Palasia Hotel</i>   | <i>Koror</i>       |
| 14          | AM Office – preparing skeleton matrix<br>PM Office – preparing skeleton matrix<br><i>Accommodation: Penthouse Hotel</i>   | <i>Koror</i>       |
| 15          | AM Office – preparing skeleton matrix<br>1130 – With Ms Alfonsa Koshiba, met with Ms Sachie Terasaki of JBIC in PINZ office   | <i>Koror</i>       |

| <b>DATE</b> | <b>ACTIVITIES</b>   | <b>LOCATIONS</b> |
|-------------|---|------------------|
|             | PM Office – preparing skeleton matrix<br><i>Accommodation: Penthouse Hotel</i>  |                  |
| 16          | AM Office – preparing skeleton matrix<br>1130 – Meeting with Darin De Leon at PVA<br>PM TAP Committee brainstorming session to get buy-in to a “skeleton” tourism sector matrix for the MTDS. Present: Mr Darin De Leon; Mr Tmetuchl Baules (TB); Mr Sam Scott; Mr Gregory Gordon of DFS; Ms Lucy Sugiyama, Assist GM of Palau Pacific Resort; Ms Jennifer Koeskelin Resident Manager of Simbros Inc International; and Mr Ken Utehara, Chief Appraiser, Palau Appraisal Associates.<br><i>Accommodation: Penthouse Hotel</i> | <i>Koror</i>     |
| 17          | AM Complete skeleton matrix<br>PM Correspondence<br><i>Accommodation: Penthouse Hotel</i>   | <i>Koror</i>     |
| 18          | Background reading and time out<br><i>Accommodation: Penthouse Hotel</i>  | <i>Koror</i>     |
| 19          | AM Office – Outline for Tourism Sector report<br>PM Office - Outline for Tourism Sector report<br><i>Accommodation: Penthouse Hotel</i>   | <i>Koror</i>     |
| 20          | AM Office – Consultation schedule<br>1000 hrs – meeting with Charles Obichang, Airport Manager, Palau International Airport<br>1400 hrs – meeting with Tmetuchl Baules (TB) re Chamber of Commerce’s resources<br>1600 hrs – meeting with Darin De Leon re PVA’s resources<br>1730 hrs – meeting with Sam Scott, personal perspective<br><i>Accommodation: Penthouse Hotel</i>  | <i>Koror</i>     |
| 21          | AM Office – Prep of TAP outline<br>1230 lunch with Tony Gill, ADB<br>PM Office – Prep of TAP outline<br><i>Accommodation: Penthouse Hotel</i>   | <i>Koror</i>     |
| 22          | AM Office – Prep of TAP outline<br>1145 hrs Belau Tourism Association (BTA) luncheon meeting at Illang Illang restaurant, including question and answer time with Vice President, Minister of Justice and Presidential candidate, Camsek Elias Chin.<br>PM Office – Prep of TAP outline<br>1530 hrs Meeting with Darin De Leon at PVA to go over TAP outline<br><i>Accommodation: Penthouse Hotel</i>   | <i>Koror</i>     |
| 23          | 0830 hrs – Jennifer Koeskelin re Chamber of Commerce Agenda and promoting investment  | <i>Koror</i>     |

| <b>DATE</b> | <b>ACTIVITIES</b>   | <b>LOCATIONS</b> |
|-------------|---|------------------|
|             | AM Office - Organizing for Report writing<br>1300 hrs – TAP meeting at Chamber of Commerce to review TAP outline. Present: Mr Darin De Leon; Mr Tmetuchl Baules (TB); Mr Sam Scott; Mr Gregory Gordon; Ms Jennifer Koskelin; Ms Eunice Rafael; Ms Mari Kishigawa; Vice President Director, Carp Corporation (and PVA Board Member); Ms Carol Ngiraidis, Morita Corp (BTA); Mr Mark Orrukem, PVA Board; Ms Ilebrang U Olkeriil, Koror State.<br><i>Accommodation: Penthouse Hotel</i>  |                  |
| 24          | AM Hotel - Report writing<br>PM Hotel - Report writing<br><i>Accommodation: Penthouse Hotel</i>   | <i>Koror</i>     |
| 25          | AM / PM: Field trip around Babeldaob Island, including: visit to Papago International Resort and attractions in Airai State; short visits to other states, visit to North Beach Cottages; discussions with resident manager, Karen.<br><i>Accommodation: Penthouse Hotel</i>  | <i>Koror</i>     |
| 26          | AM Office – Report writing<br>1030 – Meeting with Ms Tiare Holm, Executive Director of the Palau Conservation Society.<br>1130 – Brainstorming meeting led by Mr Darin De Leon of PVA with accommodation sector representatives on the topic of positioning Palau tourism. Participants included: Mr Douglas Topous, GM, Papago International Resort; Mr William Tsung, Chairman, Landmark Marina; Mr Yuji Beppu, Sales Manager, Palau Royal Resort; Ms Jemima Finnigan, Owner, Waterfront Villa Hotel; Mari Kishigawa, GM, Carp Resort; Tmetuchel Baules of Palau Chamber of Commerce; and Darin De Leon, Yumie Morishita and Melson Miko of PVA.<br>PM Office – Report writing<br><i>Accommodation: Penthouse Hotel</i>                   | <i>Koror</i>     |
| 27          | 0830 – Meeting with Ms Lucy Sugiyama, Assist GM, Palau Pacific Resort<br>1130 – Brainstorming meeting led by Mr Darin De Leon of PVA tourism operations sector representatives on the topic of positioning Palau tourism. Participants included: Mr Minoru Ueki, Jr., UBDI Belau Tour; Mr Phillip Reklai, PRA Boat Rental; Ms Rhea Malinao, IMPAC; Ms Mari Kishigawa, Carp Island Resort & Dive Shop; Mr Yamaguchi Katsuyoshi, Splash Dive Center; Mr Denny Tucker, Neco Marine; Ms Tova Harel, Fish n’ Fins; Mr Sam Scott, Sam’s Tours; Mr Tmetuchel Baules, Palau Chamber of Commerce; and Mr Darin De Leon, Ms Yumie Morishita and Mr Melson Miko of PVA.<br>PM Office / Hotel – Report writing<br><i>Accommodation: Penthouse Hotel</i> | <i>Koror</i>     |
| 28          | 0830 – Meeting with Mr Ken Uyehara at the Palau Chamber of Commerce<br>PM Hotel– Report writing<br>1430 – Meeting with Ms Vicki Maui at the Palau Community College.  | <i>Koror</i>     |

| <b>DATE</b> | <b>ACTIVITIES</b>   | <b>LOCATIONS</b> |
|-------------|---|------------------|
|             | PM Hotel – Report writing<br><i>Accommodation: Penthouse Hotel</i>  |                  |
| 29          | 0830 – Meeting with Mr Casmir Remmegesa, National Planner<br>0930 – Meeting with Mr Director Adalbert Eledui, Koror State Rock Islands Park and Ms Ilebrang U Olkeriil, Resource Manager<br>PM Hotel – Report writing<br><i>Accommodation: Penthouse Hotel</i>  | Koror            |
| 30          | 0830 – Meeting with Mr Casmir Remmegesa, National Planner<br>1200 – Presentation to TAP Committee and Tri-Org - present at the meeting: Mr Ken Uyehara, PCOC; Mari Kishigawa, PVA; Mr Darin De Leon, PVA; Mr Tmetuchel Baules, PCOC; Mr Mark Orrukem, PVA; Ms Marie Nabeyama, PVA; Ms Vickie Maui, PVA; Mr Greg Gordon, PCOC; Ms Eunice Rafael, BTA; Ms Celine Oiterong, PVA; Ms Ilebrang U Olkeriil, Koror State; Ms Wilma Sukrad, BTA; Mr Fabian Iyar, PICRC; Ms Yumie Morishita, PVA; Ms Jennifer Koskelin, PCOC; Ms Carol Ngiraidis, PCOC; Mr Francis Remengesau, PCOC; Dr Minoru Ueki, PCOC; Mr Sam Scott, BTA<br>PM Hotel – Report writing<br><i>Accommodation: Penthouse Hotel</i> | Koror            |
| 31          | AM Hotel – Report writing<br>PM Hotel – Report writing<br><i>Accommodation: Penthouse Hotel</i>   | Koror            |
| 1 June      | 0700 – Breakfast meeting with Mr Phillip Reklai, PVA Board. Discussions with Senator Dias<br>PM Hotel – Report writing<br><i>Accommodation: Penthouse Hotel</i>   | Koror            |
| 2           | 1000 – Meeting with Mr Tmetuchel Baules, Palau Chamber of Commerce to draft powerpoint for June 5 presentation to PSC<br>PM Hotel – Report writing<br><i>Accommodation: Penthouse Hotel</i>   | Koror            |
| 3           | PM Office – Report writing and discussions with Team Leader<br>1600 – Meeting with TAP at Palau Chamber of Commerce to complete presentation to PSC<br><i>Accommodation: Penthouse Hotel</i>  | Koror            |
| 4           | AM Office – Report writing and discussions with Team Leader<br>PM Office – Report writing and discussions with Team Leader<br><i>Accommodation: Penthouse Hotel</i>   | Koror            |
| 5           | 0900 – Presentation to PSC Meeting<br>PM Office – Report writing and discussions with Team Leader<br><i>Accommodation: Penthouse Hotel</i>  | Koror            |

| <b>DATE</b> | <b>ACTIVITIES</b>   | <b>LOCATIONS</b> |
|-------------|---|------------------|
| 6           | 0900 – Meeting with Darin De Leon, PVA<br>AM Office – Report writing and discussions with Team Leader<br>PM Office – Report writing and discussions with Team Leader<br>1600 – Meeting with Darin De Leon, PVA<br><i>Accommodation: PPR Hotel</i> | <i>Koror</i>     |

## APPENDIX 2: ASSESSMENT OF PRIORITY OF TOURISM ACTIONS

**Goal: “To upgrade the image of Palau as a tourist destination and position Palau as the island of choice for environmentally conscious visitors, with quality visitor experiences and high financial and other benefits to Palau on a sustainable basis”**

| <i>Issue/Strategy</i>  | <i>Action No.</i> | <i>Action</i>   | <i>S (25%)*</i> | <i>I (50%)*</i> | <i>D (25%)*</i> | <i>Overall Priority (Rank)</i> | <i>Comment</i>   |
|--|-------------------|---|-----------------|-----------------|-----------------|--------------------------------|--|
| Creating a more conducive environment for tourism and taking care of tourism’s resource base / by aligning the agendas of government agencies and creating partnerships for resource management. | 1                 | Brief new Minister of Natural Resources, Environment and Tourism on the roles of tourism organizations. | 8               | 8               | 8               | 8 (12)                         | Relationships need to be forged.   |
|  | 2                 | Create a partnership for the environmental management of key tourism resources.                         | 10              | 10              | 10              | 10 (1)                         | Environmental management is the highest concern of the industry.             |
|  | 3                 | Create partnerships to help with other priority issues.   | 3               | 7               | 1               | 4.5 (16)                       | While this is required, from past experience it may be difficult to achieve. |
| Positioning Palau tourism in the world tourism marketplace / refocus the national tourism product, rebrand the   | 4                 | Refocus Palau’s position as a quality holiday destination.  | 10              | 10              | 7               | 9.25 (5)                       | High priority for the industry but maybe difficult.                          |
|  | 5                 | Reform the taxes paid by tourists / tourism and include a charge to fund destination marketing.         | 8               | 10              | 7               | 8.75 (9)                       | There is industry support for a tied tax for marketing.                      |

| <i>Issue/Strategy</i>   | <i>Action No.</i> | <i>Action</i>  | <i>S (25%)*</i> | <i>I (50%)*</i> | <i>D (25%)*</i> | <i>Overall Priority (Rank)</i> | <i>Comment</i>  |
|---|-------------------|--|-----------------|-----------------|-----------------|--------------------------------|---|
| destination, properly fund destination marketing and build effective public/private/partnerships for implementing destination marketing     | 6                 | Target destination marketing activities to encourage low volume / high spend styles, discourage high volume / low spend styles and avoid undesirable segments. | 10              | 10              | 8               | 9.5 (2)                        | High priority to industry.                                      |
| Improving air access/ adjustments to bilateral air service agreements   | 7                 | Review air service agreements with a view to encouraging additional carriers, increasing scheduled flights and reducing charter flights.                       | 7               | 10              | 5               | 8 (13)                         | Perceived as difficult to achieve.                              |
| Diversifying and improving the product base/ improving existing products and attractions and developing new attractions to match rebranding | 8                 | Develop a thematic tourism development plan for Babeldaob.   | 8               | 10              | 7               | 8.75 (10)                      | Necessary and industry will support. Funding may be difficult.  |
|   | 9                 | Develop a training program to assist states foster "ecotourism, Palau-style".  | 10              | 10              | 8               | 9.5 (3)                        | Necessary and will have wide support. Funding may be difficult. |
|   | 10                | Advocate enhancing the tourist appeal of Malakal, Koror, Ngerkebesang and Airai  | 10              | 10              | 5               | 8.75 (11)                      | Very necessary. May be hard to achieve.                         |
|   | 11                | Evaluate tourist cruise visits and visiting private vessels and address constraints.   | 7               | 7               | 7               | 7 (14)                         | Priority for some.  |
|   |                   | Pool market information and develop  | 10              | 10              | 7               |                                | Very necessary. May   |

| <i>Issue/Strategy</i>  | <i>Action No.</i> | <i>Action</i>  | <i>S (25%)*</i> | <i>I (50%)*</i> | <i>D (25%)*</i> | <i>Overall Priority (Rank)</i> | <i>Comment</i>                               |
|--|-------------------|--|-----------------|-----------------|-----------------|--------------------------------|--|
|  | 12                | strategies for other target segments.                    |                 |                 |                 | 9.25 (6)                       | be hard to achieve.                          |
| Increasing private sector investment in quality accommodation / attracting new investment and encouraging upgrading of existing operations | 13                | Encourage investment in quality, high-end accommodation. | 10              | 10              | 8               | 9.5 (4)                        | Very necessary.                              |
|  | 14                | Promote product quality upgrades.                        | 7               | 7               | 7               | 7 (15)                         | Necessary, challenging.                      |
| Encouraging Palauan participation in the tourism industry/ improving vocational and in-service training and showcasing Paluan hospitality. | 15                | Develop vocational training in the skills of tourism.    | 9               | 10              | 8               | 9.25 (7)                       | Important.                                   |
|  | 16                | “AliiHost” hospitality training for front line staff.    | 10              | 10              | 7               | 9.25 (8)                       | Very important. Will take effort to achieve. |

\*SID scores were assigned by the TAP Committee of the Tri-Org.

**APPENDIX 3: MATRIX 18: TOURISM ACTION PLAN, updated December 2009**

Goal: To upgrade the image of Palau as a tourist destination and position Palau as the island of choice for environmentally conscious visitors, with quality visitor experiences and high financial and other benefits to Palau on a sustainable basis.

| Strategy   | Action No. | Action  | Current Status   | Issues   |
|--|------------|---|--|--|
| <p>1. Create a more conducive environment for tourism and taking care of tourism's resource base by aligning the agendas of government agencies and creating partnerships for resource management.</p> | 1          | <p>Brief new Minister of Natural Resources, Environment and Tourism on the roles of tourism organizations</p>   | <p>Although the Tri-Org has not yet formally met with the Minister, he is clear and aware of the three organizations and their goals. We have had joint meetings and conferences where PVA, BTA and PCOC have met and discussed issues with the Minister. Today, the Tri-Org has been solicited for recommendations and has been included in a listing of National Committees.</p> | <p>President and some Ministries have not clearly understood or have openly endorsed the MTDS.</p>   |
|  | 2          | <p>Create a partnership for the environmental management of key tourism resources. A key early output will be a tourism capacity assessment. Capacity limits could be managed by a price-based permit system.</p> | <p>PVA and BTA have been making efforts to meet with States and other stakeholders such as Palau Conservation Society, Governors Association.</p>  | <p>States have no consistent representative to attend meetings. A meeting with the Governors Association has been proposed but no confirmation as to when.</p> |

| Strategy  | Action No. | Action  | Current Status  | Issues  |
|---|------------|---|---|---|
|   | 3          | Create partnerships to help in other priority issues  | PVA has established signed MOU with MCCA and working on signing partnership MOUs with relevant Ministries.<br><br>PCOC has met with key agencies in the public and private sector and is most likely to continue. This includes security, environment, etc... |   |
| 2. Position Palau tourism in the world tourism marketplace.<br><br>Refocus the national tourism product, rebrand the destination, properly fund destination marketing and build effective public/private/ partnerships for implementing destination marketing | 4          | Refocus Palau's position as a quality holiday destination   | Initial discussion with Tri-Org on potentiality of the China and Russia markets; whereby, setting marketing strategies into tapping the niche and preferred markets.  |   |
|   | 5          | Reform the taxes paid by tourists and include a charge to fund destination marketing.   | PAN Fee is in effect as of November 1 <sup>st</sup> 2009. Others are in the process of being lobbied.   |   |
|   | 6          | Target destination marketing activities to encourage low volume / high spend styles, discourage high volume / low spend styles and avoid undesirable segments | PVA has started to diversify its marketing initiatives to include those of Eco-Tourism, Agri-Tourism, Culture-Tourism with purpose of tapping into other markets.   | Working with various ROP States on getting such products readily available for visitors requires funding that the States do not have. |

| Strategy  | Action No. | Action  | Current Status   | Issues  |
|---|------------|---|--|---|
| 3. Improve air access by adjusting bilateral air service agreements   | 7          | Review air service agreements with view to encouraging additional carriers, increasing scheduled flights and reducing charter flights | A new regularly scheduled by PacificFlier is expected to begin as of January 15 <sup>th</sup> 2010; while continue to work with Japan Airlines, China Airlines and Asiana Airlines on FIT booking capabilities via their respective charter flights.                           |   |
| 4. Diversify and improve the product base by improving existing products and attractions and developing new attractions to match rebranding | 8          | Prepare a thematic tourism development plan for Babeldaob   | Airai, Ngiwal and One other state has completed their master plan.   |   |
|   | 9          | Develop a training program to assist States foster "ecotourism, Palau-style   | PVA has launch a States Visit Program targeting all 16 States to engage community in tourism related discussions, as well as, to introduce the launching of a "Attraction / Site Inventory" to survey existing and potential attractions and sites for visitors in each State. | Challenge in getting majority of the State communities to the schedule state visits for discussion and their involvement. |
|   | 10         | Advocate enhancing the tourist appeal of Malakal, Koror, Ngerkebesang and Airai   | No progress at this point  |   |
|   | 11         | Evaluate tourist cruise visits and visiting private vessels and address constraints   | On-going discussions from PATA Micronesia Chapter level as   | Need to conduct an assessment survey of all port facilities in all  |

| Strategy   | Action No. | Action   | Current Status   | Issues   |
|--|------------|--|--|--|
|  |            |  | interested in looking to this potential market for the whole region and not just Palau.  | the Micronesia islands to identify capacity of ports in accommodating cruise ships/liners                      |
|  | 12         | Pool market information and develop strategies for other target segments | No progress at this point.   |  |
| 5. Increase private sector investment in quality accommodation by attracting new investment and encouraging upgrading of existing operations   | 13         | Encourage investment in quality, high-end accommodation                  | ROP is currently developing National building codes and is the process of formulating a Sustainable Land Management National Policy.   | Foreign Investment Act still in debate with Palau National Congress.   |
|  | 14         | Promote product quality upgrades   | Bai Rating System (Palau's own hotel/resort rating system) is done. Also, on-going discussion with attractions, sites, and products owners on quality for sustainable development. | Identifying composition of body or group of individuals to launch and conduct actual rating of hotels/resorts. |
| 6. Encourage Palauan participation in the tourism industry by improving vocational and in-service training and showcasing Palauan hospitality. | 15         | Develop vocational training in the skills of tourism.                    | The Palau Hospitality School of Excellence groundbreaking ceremony Dec 31, 2009 with fundraising scheme on-going.  |  |

| Strategy | Action No. | Action   | Current Status  | Issues |
|----------|------------|--|---|--------|
|          | 16         | "AliiHost" hospitality training for front line staff | In the development of a Business Plan. Dialogue between WORLDHOST and Palau is ongoing. Expected to begin Mid 2010. |        |

Priority rankings were assessed by the TAP Committee of the Tri-Org