

Chapter 10. Tourism Sector

While FSM leaders in the past have recognized tourism as a productive sector with significant development potential, national economic policy has not designated it a leading economic sector. In accordance with the Third Summit's Select Committee endorsement of the High Growth Strategy, tourism will be the dominant sector enabling growth and development of the economy in the 2004-2023 Compact II period. This policy stance represents a major change in thinking on the role of tourism in development, as many people in the wider community in all the states have consistently expressed concerns about potential negative impacts of tourism on both the socio-cultural fabric and the natural environment of the FSM.

The following sector review represents a summary of the Tourism component of the Strategic Development Plan prepared by the National Government Department of Economic Affairs in conjunction with the work of the Third Economic Summit.

10.1 Tourism Sector Review

10.1.1 Current Status of Industry

There were 18,500 international visitor arrivals in the FSM in 2003 (Table 16), slightly less than the peak of 20,000 visitors recorded in 2000 based on time series compiled by the DEA. Corresponding figures for each of the states are presented in Appendix A (Tables A29-A32). Compared with the growth of tourism arrivals in the Pacific Islands, which recorded an increase of 23% over the 1996-2003 period, the FSM has clearly under-performed.

Based on an FSM inventory of 476 hotel rooms, 42,000 visitors would be required annually to achieve an acceptable occupancy rate of 65%. The principal origin markets for the FSM have traditionally been the US and Japan, with Europe becoming a significant market in recent years. Travel to FSM, however, may be negatively affected by different factors like the economic recession in Japan, the SARS (pneumonic flu) outbreak, and security concerns brought about by the World Trade Center attack. The overall positive trends in travel to the Pacific region, particularly to destinations such as Palau and the Cook Islands, strongly suggests that the FSM has not made any progress towards becoming an internationally-recognized tourist destination. The FSM appears to be caught in a vicious cycle in which tourism under-performs because of a lack of infrastructure

**Table 16. FSM International Visitor Arrivals by Nationality:
FY 1996-FY2004**

Nationality	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Asia	2,029	2,301	1,830	2,064	2,890	2,255	1,737	1,842	2,003
Australia	561	452	438	563	791	540	566	639	840
Canada	187	224	169	177	188	192	223	214	195
Europe	1,007	995	1,048	1,302	1,427	1,235	1,343	1,668	1,353
Japan	5,519	4,223	3,429	3,399	4,661	3,194	4,061	3,984	3,661
New Zealand	113	119	128	140	111	87	161	143	171
Other	52	52	90	74	116	63	91	85	117
Pacific Islands	1,608	1,580	1,231	843	1,249	962	1,423	1,150	1,414
Philippines	-	-	-	-	-	-	943	1,035	1,149
USA	7,083	7,137	5,912	6,950	8,605	6,966	8,152	7,736	7,101
Total	18,159	17,083	14,275	15,512	20,038	15,494	18,700	18,496	18,004

Source: FSM Department of Economic Affairs

and poor service and promotion. This results in low profitability and little public and private investment. Consequent low visitor satisfaction, in turn, leads to unfavorable word-of-mouth recommendations, thus perpetuating the sector's under-performance.

The critical issue for tourism development in the FSM is to break this cycle of poor industry performance and initiate changes that will stimulate new investment, growth, and development.

10.1.2 Development Potential

Despite the FSM's distance from major tourism origin markets and the consequent high cost and inconvenience of travel, the nation offers many attractions for selected niche markets: a pristine marine environment, tropical scenery and diverse plant and bird life, traditional cultures – all in sparsely-populated, clean environmental settings outside the district center urban areas.

For the sophisticated and experienced tourism markets that are looking for something different, the FSM's isolation is a potential selling point for niche markets such as eco-tourism, cultural tourism, water sports, and other special interests, e.g., traditional plant medicines, bird-watching, and social anthropology.

The main question to be addressed is: can the FSM achieve the volume and value of tourism that would meet its economic objectives for the sector?

The SDP tourism sector assessment notes that “the current hotel stock would be filled to an acceptable average occupancy rate if some 46,000 visitors staying for five days on average came to the FSM annually. This represents a short-term objective of increasing current visitation levels by around two and a half times.”

Pointing out the small size (land area and population) of the islands, the assessment notes that it is crucial that the “high end” characteristic of tourism be a focal point. Product development should be designed to capture and retain maximum visitor expenditures. That is, attracting the more affluent tourists who have high average daily expenditure rates, and ensuring that the local economies are capable of supplying a relatively large share of the goods and services sold to visitors (i.e., strong cross-sectoral linkages) must be part of the tourism development strategies.

To realize its potential and achieve the economic benefits that have been targeted, goals and policies are detailed in the tourism sector chapter of the SDP and in the associated Strategic Planning Matrix (SPM).

Before discussing issues and problems facing tourism development in the FSM, the sector assessment summarizes the main points of a comprehensive program needed to achieve the long-term development desired:

- *the tourism sector will require influential “champions” at the highest level of government to ensure that the proposed program is pushed through;*
- *concerted action on all fronts;*
- *real investment resources will be required over a sustained period that will demand that a higher priority be given to tourism;*
- *product development and diversification will be needed to attract visitors;*
- *an overall plan for these actions will be required; and,*
- *in order to gain the desired economic benefits, a special effort will be required to develop genuine inter-sectoral linkages.*

10.1.3 Constraints to Development

The goal for tourism in the FSM should be to develop “high end, low impact” tourism, meaning relatively modest numbers of visitors, each making a relatively large financial impact in terms of average daily expenditure. Residents in each state have expressed concern about tourism damaging the social and cultural environment, and also to the fragile natural environment. Therefore, while there will be an inevitable impact, policymakers will need to strike a careful balance between sector development and sustainability, both socio-culturally and environmentally.

At present the nation offers a very limited range of activities and opportunities for visitors, and therefore product development is a critical area that the tourism industry will have to address. Even the most rudimentary amenities expected by international visitors are not available, such as sidewalks or boardwalks, trails, access to beaches or shoreline areas, public transport such as buses, safe boat transport services. There is a lack of information for visitors, and very few restaurants and cafes, and points of interest or assembly that appeal to most international visitors.

As mentioned earlier, the FSM is remote and does not lie on any of the major long-haul air routes. Inter-island air routes carry limited traffic and therefore are costly to operate making air access both limited and expensive. Also, from the standpoint of developing a national tourism “product,” a major obstacle is inability to directly access the State of Yap from any of the other three States.

Infrastructure is poor both in terms of national services such as power, safe water and health services, and in terms of the tourism sector itself as some hotels do not meet international standards.

Immigration procedures are unwelcoming, and airport facilities are deficient. In relation to the relatively low volumes of passenger traffic handled by the four main airports, the time required to pass through the airport and board departing flights is grossly excessive.

Visual and other environmental standards are poor, detracting from one of the key motivations for foreigners to visit the FSM. In terms of overseas promotion of the nation as a tourism destination, there is little information made available, giving the FSM a low profile in the tourism trade and a lack of competitiveness in terms of “brand recognition” compared with other Pacific island countries.

Another significant constraint to tourism development is the lack of unanimous commitment to tourism in all states. There is a need to educate the general public on the importance of tourism, and a need for FSM leadership to give their full support.

Of particular relevance to the hotel industry and to small business support are the following points:

- *Since development of hotel capacity, either new or refurbished, will likely attract foreign investment, there is a need to make the process of foreign investment registration and approval consistent and transparent. There is also a need to ensure that any investment project is subject to appropriate national and state planning controls, especially in regard to making it mandatory to undertake an environmental impact assessment;*
- *Foreign investment will be important not only in providing sufficient funding for development, but also with respect to two other critical needs: (i) design and construction skills that will have to be imported to ensure the attainment of standards appropriate to the new hotel’s grade and corresponding quality of services, and (ii) the transfer of professional hotel management and marketing skills from abroad to enable the attainment of a satisfactory level of profitability;*
- *Except for hotels and aviation, most private sector activity in tourism will likely be operated by small businesses. Private sector development policies and strategies that address the needs of small business are critical for tourism development. Prime areas of need have been identified: business management, financing, and marketing. While the proposed FSM Visitors Authority should have a role in pinpointing and coordinating the needs and provision of support to the small businesses in the tourism sector, the main burden for this support should be with the small business management specialists and the banking system. With regard to financing, there is a need for a small-loans facility.*

10.1.4 Infrastructure Development Plan – Implications for Tourism

The FSM Infrastructure Development Plan 2003-2017 (IDP) was prepared before the SDP, but was intended to anticipate the long-term needs in support of development, taking into account expected economic aid under Compact II. Considering that tourism has been recognized as one of the three main productive sectors of the FSM, the IDP specifically addressed infrastructure support for this sector. Tourists must have adequate standards of utilities, transport, and health services in their holiday destination. As for the current status, the IDP notes that “much of the basic infrastructure that should be in place to provide a foundation for growth of the tourism industry (and related industries) remains on the drawing boards”.

The IDP specifically noted the following areas as being important for tourism development:

Air Transport

Passenger terminals in all four States need to be expanded and improved, along with the provision of new baggage handling and security equipment. Pohnpei Airport is in urgent need of runway, taxiway, and apron pavement rehabilitation to meet safety standards. There is an issue about whether airport runways will need to be extended. With the exception of Ulithi, the outer islands of the FSM do not have air service that meets acceptable standards.

Road Transport

In Chuuk, Kosrae, and Pohnpei circumferential roads are incomplete and some parts are in need of repair. These roads are important for enabling visitors to access scenic sites and rural nature-based attractions. Few routes have pathways for pedestrians and bicyclists, and in some areas roadways may be considered unsafe. Also, there is virtually no public transport or tour bus service available.

Sea Transport and Marine Facilities

No public maritime transport services suitable for visitors are available to the outer islands of the FSM, and in the case of privately operated transport, government does not certify the safety of boats and vessel crews. In the lagoon islands, particularly in Chuuk, docking facilities are inadequate. Even on the main islands, there is a lack of pier facilities offering direct access to vessels, and no shops and restaurants that would attract tourists.

Power and Water

While power is generally adequate for the current level of tourism activity, expansion, particularly in rural areas, will require additional generating capacity and distribution systems. In Chuuk, the power system is inadequate, and there are some rural areas in Kosrae and Pohnpei without power service. Sewerage systems and treatment plants are generally inadequate and/or inoperative, resulting in surface water pollution and damage to lagoons and wetlands. Potable water is not available in many areas.

Health Services

Health services are limited, and this lack of minimally acceptable health and medical services constitutes a significant constraint to developing a larger tourism sector.

10.2 Strategic Goals, Policies, and Outcomes

This summary draws from both Section 6.2, Strategic Goals, Policies and Outcomes, of the tourism chapter in the SDP, and the SPM for tourism that was prepared in conjunction with the Third Economic Summit.

Strategic Goal 1: Making tourism the leading economic activity in the FSM

The main outcomes targeted include: (a) increasing international tourism arrivals from the current 19,300 to 35,000 by 2008, and gross income (tourism expenditures) to \$25 million, with subsequent growth of visitor arrivals and gross income of 5.0% and 7.0% per annum respectively; (b) average annual occupancies of 50% by 2008 and 65% by 2010; (c) sustained total employment in tourism of 1,250 by 2008, thereafter growing by 5.0% per annum; (d) By 2012, the FSM should be positioned as a premium priced destination with average per visitor per day expenditure of \$250, exclusive of airfare.

Key policy implications for policy goal include: (a) ensuring that foreign investment laws and practices are welcoming, transparent in their application, and respectful of FSM interests; (b) giving priority to public investment in services and infrastructure that benefit residents and tourism development (including provision of safe water in all main islands); (c) adopting planning practices that enhance the physical environment and allow for the development of activities

and points of interest for tourists, such as attractive retail centers; (d) providing incentives for raising standards and skills across the industry.

Critical issues for implementation include: (a) having each State formulate and implement a 10-year tourism development plan to be coordinated by the FSM Visitors Authority; (b) establishing the FSMVA by 2005; (c) producing updated marketing and promotion plans coordinated by the FSMVA in collaboration with State Visitor Bureaus; and, (d) formulating and implementing tourism sector investment programs.

Strategic Goal 2: Integrate the tourism sector into national economic planning and development

In 2002, the FSM contracted an overseas travel research firm to prepare a National Tourism Marketing and Promotion Action Plan (NTMPAP). Completed in April 2002, the national tourism marketing plan recommended that Congress enact legislation establishing the FSM Visitors' Authority (FSMVA). The FSMVA is targeted to become fully operational by the second half of 2005. The tourism SPM specifically notes that the FSMVA budget should be funded out of national government's Private Sector Grant.

Other critical issues include: (a) insuring that national investment plans incorporate all key tourism projects by 2007; (b) producing a draft tourism sector policy paper with input from FSMVA and state VAs by first half of 2006; (c) preparing a statement of tourism sector's key investment areas, e.g., health, sanitation, infrastructure, that would be coordinated at the national level by the FSMVA.

Strategic Goal 3: Create an attractive and supportive environment for private sector tourism industry investors

It is anticipated that most of the larger tourism businesses and investments will be in relation to the hotel industry, and most other tourism-related businesses will be owned and operated by small-to-medium size enterprises (SMEs), e.g., car rentals, restaurants, marine transport.

To achieve strategic goal 3 there must be at least one new tourism investment proposal per annum in each state. In addition, the targeted new employment mentioned earlier must be achieved. In terms of activities, each state should establish a private tourism and hotel association by 2006, and the FSMVA establish a coordinating "signposting" system by 2007 to assist private sector businesses in obtaining assistance from existing institutions in and outside the FSM.

Outputs include: (a) a program of grant assistance to SMEs funded by international grant aid that would entail the provision of business support services on a fee basis; (b) FSMVA compilation of indicative investment opportunities guidelines starting in 2008; (c) provision of semi-annual project briefs and tourism market assessments to the banking and investment community in the FSM and abroad starting 2008; (d) an annual conference for all tourism stakeholders; and (e) Small Business Development Centers (SBDCs) assistance to at least 100 current or potential tourism-related activities annually.

Strategic Goal 4: Invest in tourism product development to diversify and expand the range of attractions and activities for visitors

A major constraint to tourism development in the FSM is the lack of a well-developed range of activities. Many natural scenic and historic attractions are inaccessible and poorly presented.

Outcomes that have been targeted include: (a) the compilation of a complete inventory of land and water transport services, cultural centers, and attractions used by tourists by 2006; (b) identification of the top 3-5 tourist attractions in each state to enable the main focus of product development by 2006; and (c) preparation of an outline product development plan for each state by 2006. Principal outputs contributing to the achievement of goal 4 include: (a) an outline plan for upgrading existing accommodation completed by 2007; (b) an outline plan for accommodation expansion by state and possible location by 2008 in conjunction with each state's tourism development plan; (c) an outline plan for tourism transport sector expansion by 2008 to be prepared in conjunction with each state's tourism development plan; (d) specific plans for infrastructure and service improvements (e.g., marinas, cruise ship and out island facilities) to be completed by 2008; and (e) submission to UNESCO World Heritage Site applications (for specific identified sites) by 2008.

Strategic Goal 5: Establish the FSM's tourism sector as having a high standard in dive, eco- and cultural tourism to command a premium in global tourism markets

There are two reasons why the FSM has the potential to command a premium in global tourism markets. First, the FSM has some of the richest and most deeply-embedded social and cultural traditions in the Pacific. This represents a resource for international tourists interested in indigenous cultures. However,

this resource is also susceptible to damage or impacts from tourism that would change traditional values and lifestyles, and therefore diminish or degrade the attractiveness of the FSM's cultures as a tourism destination. For this reason, high volume or mass tourism would not be appropriate for the FSM.

Second, the FSM offers one of the most pristine natural environments available to tourists. Given its small physical size, there is recognition that limits must be placed on the number of international visitors that can come to each of the islands in the FSM. At the same time, tourism offers economic benefits for all of the communities that would participate in attracting visitors. The FSM needs high tourism standards to attract big-spending visitors.

Principal outcomes to achieve strategic goal 5 are: (a) hotel/resort accommodation standards in FSM raised and graded according to accepted international standards by 2007; and (b) tourism industry standards raised sufficiently to enable charging a premium to international visitors by 2012. Main outputs include: (a) mandatory accommodation grading system in place by 2008; (b) all dive operations licensed by FSM government in accordance with international standards by 2006; (c) national boat operators' licensing system implemented by 2008, and technical safety standards for tourist boats and for crew qualifications specified for 2008 and beyond; (d) tourism service industry quality accreditation implemented from 2010; (e) tour guide certification standards and procedures established by 2006; and (f) proposed planning controls, capacity limits, minimum daily charges, and other acceptable measures presented to Congress in 2012.

Strategic Goal 6: Promote inter-sectoral linkages and maximize use of local produce and services

This goal is designed to ensure that import leakages are minimized, and visitor spending in FSM is maximized in terms of generating value-added activity and employment in the country. Principal outcomes include: (a) hotels in the FSM to buy 100% of their fish, 50% of vegetables, and 10% of meat from within the FSM; and (b) ensure that every foreign visitor spends at least \$50 on locally-produced artifacts, souvenirs, and handicrafts. Main outputs include: (a) demand assessments prepared by State VBs for consumption of local produce by the tourism sector; (b) tourism industry purchasing consortia and/or cooperatives created where necessary to "regularize" demand by 2007; (c) a range of handicrafts and products available for sale to visitors in each state certified in accordance with FSMVA standards by 2010; and (d) where appropriate, State VBs to operate their own shop(s) and/or cooperatives for local artisans by 2010.

**Strategic Goal 7: Involve FSM residents
in tourism sector development**

Given the multitude of issues, effects and risks associated with developing tourism to become the leading economic sector in the FSM, a major educational program will be required to properly inform citizens and gain their support.

Principal outcomes to be targeted for this goal include: (a) achieve nationwide awareness of tourism's importance by completing initial public awareness campaigns in all four State main islands by 2008; (b) raise ability of residents to respond to tourists needs; and (c) obtain acceptance of citizens to tourism development plans. Main activities to be undertaken include: (a) develop tourism awareness programs to inform FSM citizens of tourism's benefits, opportunities and impacts; (b) develop programs to educate citizens on tourists' requirements; and (c) develop public consultative mechanisms with traditional leaders, the church and other relevant stakeholders on tourism development strategies.

**Strategic Goal 8: Promote the FSM in appropriate markets
and market segments to realize the sector's potential**

The primary role of the FSMVA is to promote and market the FSM as a leisure destination to key international markets. These have been identified in the NTMPAP as North America, Japan/Northeast Asia, and Europe. In its primary role, the FSMVA will be responsible for a number of key tasks, including: (a) overseeing the role and performance of the regional marketing agents; (b) coordinating all national collateral and associated marketing material; (c) establishing a national photo library; (d) maintaining and developing the FSM website as an active tool in the country's tourism marketing and promotional program; and (e) monitoring the results of marketing initiatives and modifying subsequent programs accordingly.

Although its primary role is in marketing and promoting the whole of the FSM, the FSMVA will have a much broader role in developing the tourism sector. Main outcomes and activities to be undertaken by the FSMVA to help achieve strategic goal 8 include: (a) marketing and promotion to help achieve the objective of increasing both visitor expenditures and visitor arrivals by 5.0% per annum from 2006 onwards; (b) raising visitor satisfaction by 5 percentage points per annum (based on visitor surveys) beginning in 2007 and continuing until the visitor satisfaction rate reaches 85%; and (c) creating new business in the amount of 5% gain in verifiable sales and/or new relationship contacts with the travel trade based on trade shows at which the FSM is represented.

Principal activities of the FSMVA would include: (a) implementation of the NTMPAP to include selecting regional marketing agents that will begin arranging FSM representation at trade shows, deal directly with regional travel agents, tour operators and other travel industry interests, and other tasks specified in the agents performance and reporting requirements; and (b) taking advantage of international travelers increasing use of Internet and the potential of electronic marketing. Outputs of the FSMVA to further this second activity would include launching a new fully-interactive website, and commencing an active and ongoing electronic marketing campaign to targeted consumers (e.g., divers, eco-tourists) and a regular quarterly e-mail news bulletin service, by 2006.

**Strategic Goal 9: Ensure that tourism is developed
in a manner that actively contributes to environmental
conservation and cultural protection**

Awareness of sound environmental practices, both in terms of resident lifestyles and business practices, leaves much to be desired with respect to solid waste management and conservation. There is also a general lack of understanding about what forms of tourism would best protect the environment and cultural practices. Ensuring that the tourism industry adopts an effective environmental protection and conservation program will require the committed involvement of many different organizations and government agencies. There may also be a need for additional legislation to ensure strict environmental impact assessment (EIA) requirements specifically for tourism developments and regulations or controls applicable to new hotel/resort structures. While the FSMA will have a major role in implementing the program, other agencies will also have a major responsibility for the establishment and enforcement of controls.

Targeted outcomes include: (a) adoption by all existing tourism businesses of environmental sustainability and eco-friendly practices; (b) preparation by all new tourism developments of an EIA; (c) enforcement of environmental laws and regulations within the tourism industry; (d) competition for internationally-recognized awards for sustainable tourism commencing in 2006; and (e) establishment of a World Park by 2007.

Significant activities include, for existing businesses: (a) adoption of environmentally friendly practices; (b) establishment of environmental/conservation standards and provision for issuing “green” accreditation; (c) establishment of environmental monitoring systems for all tourism enterprises; and (d) maintenance and protection of cultural, historical and natural sites. For new developments: (a) establishment of national

criteria and standards that must be addressed in preparing the EIA; and (b) establishment of a national monitoring system to ensure that no further damage is done to coral reefs by tourist boats, divers, and snorkelers, and to ensure protection of flora, fauna, and natural resources. For awareness: (a) regular collection of trash, removal of old cars, beach clean-up, etc. and introduction of other appropriate measures to enhance the environment by 2005; (b) development of environmental sustainability and conservation modules on all school and COM tourism courses; (c) facilitate accessibility of traditional culture (dances, villages and footpaths, etc.) without impinging on cultural values; and (d) protection of historical sites and improvement of their accessibility.

Main outputs would include: (a) a tourism environmental practices manual by 2006; (b) national “Green” awards scheme introduced by 2007 and each state VB to ensure that 30% of establishments are on register by 2007; (c) baseline environmental audit of existing businesses conducted by a respected environmental body (e.g., TNC) to commence immediately; (d) beautification programs and anti-litter laws in place and actively followed; (e) lists of cultural events, places accessible to visitors and a guide to social and cultural sensitivities for the visitor by 2005, with annual update; (f) EIAs specifically designed for tourism sector, carried out on all proposed tourism developments from 2008; (g) environmental information guide for visitors produced by FSMVA and made available to all state VBs by 2006; (h) World Park plan developed by 2007; and (i) World Park public awareness campaign launched by 2008.

Strategic Goal 10: Put in place a reliable system of measuring tourism activity in the FSM to enable accurate monitoring of progress

Currently, statistics on international visitor arrivals, purpose of visit, length of stay, and other important parameters are not reliable. There are difficulties in reconciling state data (sum of four states) with national data (e.g., unduplicated count of visitor arrivals in FSM). It is absolutely essential that adequate, reliable statistical data be made available on a timely basis to policymakers and planners. Given the relatively small size of the tourism sector and volume of activity, establishing an effective and efficient system should not be too difficult or expensive.

Principal outcomes to be targeted include: (a) new immigration forms issued and processing procedures implemented by 2006 to accurately measure arrivals by origin, length of stay, purpose of visit, and intra-FSM travel; (b) establishment of accurate real-time computer-based immigration system for visitors in each

state by 2012; (c) availability of annual visitor and accommodation surveys by 2007; and (d) regular reporting of accurate data on monthly hotel occupancy rates available throughout the FSM by 2006. Outputs include: (a) Redesigned immigration cards for foreign visitors in all four states in 2006; (b) Monthly visitor arrivals analysis issued by FSMVA from 2006 (including on FSMVA website), based on reports from each state, including hotel occupancy rates; (c) Periodic and regular reports issued on tourist expenditure, activities, nights spent, length of stay, origins, purpose of visit, satisfaction and other relevant issues commencing 2007; (d) Computer network installed at all points of entry for real-time monitoring of visitor arrivals and flows by 2012; and (e) annual report to President and Congress on recommendations for future tourism policy based on ongoing monitoring of industry development progress.

Strategic Goal 11: Progressively develop tourism services that are acceptable to the international market through structured training programs

The FSM must implement a comprehensive training program addressing all segments of the tourism sector that cater to visitors, from the immigration and customs officers to retail sales persons to the hotel and restaurant food service workers. While some establishments, notably the hotel sector, have ongoing in-house training programs, much remains to be done throughout the industry to bring service standards up to the level consistent with the premium, high per capita spending tourist destination that the nation has targeted. In addition, given that Japan is one of the prime origin markets in terms of volume of visiting tourists, Japanese-speaking guides, front-desk staff, restaurant personnel and others must be recruited and/or trained to become an integral part of industry staffing.

The main outcomes are: (1) basic level training programs for all key staff who would have received appropriate certificates of competence by 2008; (b) intermediate-level training completed for all selected recipients/groups by the end of 2009; (c) advanced level training for all selected recipients/groups by the end of 2010; (d) service quality accreditation schemes operative by 2008 for all tourism sector businesses; (e) all tourism-related transport services to hold FSMVA approval licenses by 2008; (f) work place orientation course modules and procedures to be agreed and implemented for all new industry entrants by end-2008; and (g) certified training achievements to be formally incorporated into positioning of FSM as a premium tourism destination by 2012.

Targeted outputs include: (a) tourism industry training operational plan and budgets prepared by 2006 covering the three year period 2006-2008; (b) approval secured for Year 1 (2006) training budgets and outline budgets for Years 2 and 3; (c) state visitor bureau staff training plan prepared by 2006; (d) allocate increased resources to COM state campuses for tourism certificate training programs agreed by 2006; (e) schedule of short-term vocational courses and on-the-job training for the tourism sector agreed by 2006; (f) action program designed, with input of responsible tourism authorities, to identify special industry training needs; (g) training schedules for main sub-sectors completed by State Visitor Bureaus and FSMVA by 2006; and (h) agreement with all State governments on enrollment of participants for training programs and/or for on-site training modules.