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Tourism

Tourism

In its *Statement of Economic Strategy: 2000–2001*, the Government of Samoa identified “sustainable tourism development” as one of its eight strategic focuses. Tourism, along with fisheries, is seen as a sector with considerable potential to contribute to sustainable development in Samoa. The Tourism Council of the South Pacific (1998) pointed out that Samoa has a high potential as a South Pacific tourism destination and that the nation features strongly as a cultural destination because of visual displays of Polynesian lifestyle.

In virtually all reports on tourism it is pointed out that cultural, environmental, and economic considerations should each be given precedence in planning the future development of the industry in Samoa (e.g., Tourism Council of the South Pacific 1998; Kolone Vaai and Associates 1998b). Tourism in Samoa harmonizes well with Barbier’s (1987) model for sustainable development, presented previously in Figure 8.1. Accordingly, as pointed out by the Tourism Council of the South Pacific (1998, p. 35): “The main development objective should be to achieve sustainable tourism development on a scale that will not jeopardize the traditional culture and sociocultural structures in the country or its environment.”

Furthermore, the Government has, on many occasions, emphasized that it sees tourism as a means of accelerating real economic growth, but that “controlled growth” is the aim of government policy. The framework for tourism development has, therefore, been set by successive governments, with widespread agreement on that framework by the industry, the Samoan Visitors Bureau, and in various reports that consider the objectives for development of the sector.

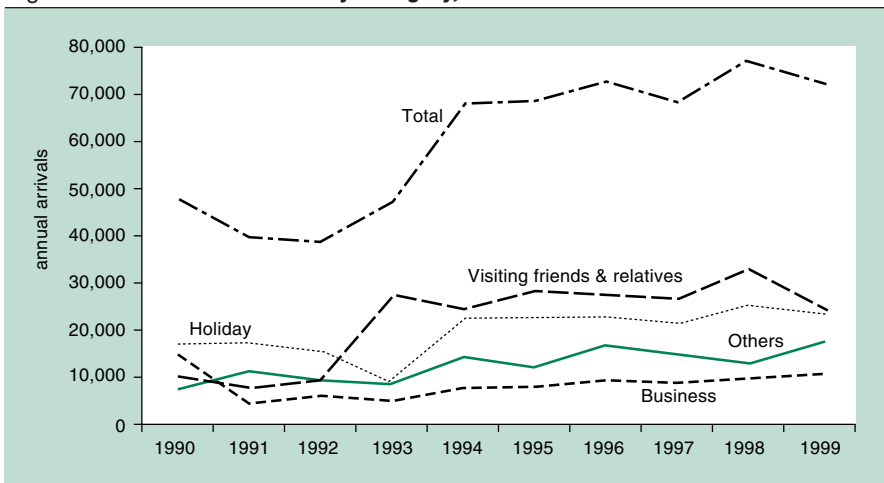
The Government’s reform process is also supportive of tourism development: a streamlined tariff system, reduced income tax rates, financial liberalization, and a more open attitude to FDI are all seen by the industry as positive initiatives.

The Contribution of Tourism to the Economy

In Samoa tourism is, first and foremost, an export industry and should consequently be treated as such in government policy making. While there appears to be increasing recognition of this fact, it may still not loom large in government thinking. In many western nations, domestic tourism comprises 80 percent or more of overall tourism activity, but in Samoa there is heavy reliance on international visitors. It is, therefore, predominantly an export industry. The main benefits of tourism are that it has positive impacts on the balance of payments and also on employment, generally being recognized as a relatively labor-intensive industry. The structure of the Samoan population, with many young people coming onto the job market in the coming years, makes tourism an attractive development option.

The contribution of tourism to the economy has increased in recent years, offsetting to some extent the declines in commodity-exporting sectors such as agriculture and forestry. This is a normal trend in economic development, with the service sector increasing in importance in comparison to commodity-based sectors. The contribution of tourism might be shown in a number of ways. First, annual visitor numbers have grown almost continuously in the 1990s, from just over 48,000 in 1990 to around 78,000 in 1998 (Figure 10.1). A 7-percent downturn in 1997 was apparently the result of additional visitors received in 1996 for the Pacific Arts Festival and the ACP/EU meeting.

Figure 10.1 **Visitor Arrivals by Category, 1990–1999**



Source: Samoa Visitor's Bureau.

The importance of visiting friends and relatives (VFR) to tourism in Samoa is also shown in the figure, with this category of tourist comprising around 35 percent of total visitor numbers in the 1990s (Table 10.1). This is an issue raised often by industry personnel, with the concern expressed that the airlines focus too much on this market, which is high-yield, at the expense of developing the holiday tourism market.

Table 10.1 Proportion of Visitors in Each Category, 1990–1999

	Holiday	VFR ^a	Business	Other	Total
% Share	31.7	35.1	13.5	19.7	100

Note: a. Visiting friends and relatives.

Source: Samoa Visitor's Bureau.

Second, the impact of tourism in Samoa is reflected in the earnings of the sector. These are shown in Table 10.2, reference to which shows the continued growth (in nominal terms) in tourism earnings. Earnings of SAT\$115 million in 1998 indicate also that tourism is, in economic terms, the largest industry in Samoa.

Table 10.2 Tourism Earnings, 1991–1998 (SAT\$ million)

1991	1992	1993	1994	1995	1996	1997	1998
38.3	39.6	50.4	83.7	86.6	99.3	101.8	115.2

Source: Samoa Visitor's Bureau.

Finally, the overall contribution of tourism to the economy requires that the flow-on effects of expenditure in the sector be considered. A recent study of the economic impact of tourism in Samoa (Kolone Vaai and Associates 1998b) indicated that tourism was positive for Samoa, with an input-output study showing the following:

- In 1997, SAT\$1,000 of tourist spending generated income (after allowing for import leakages) of SAT\$514 directly and SAT\$383 indirectly.
- The estimated impact on Gross National Income of tourism spending in 1997 totaled SAT\$91.5 million, or 15.4 percent of GDP.
- SAT\$1,000 of tourist spending generated government revenues of SAT\$134 at the direct level and SAT\$69 at the indirect level.
- SAT\$1,000 of tourist spending generated imports of SAT\$590 (an import leakage of 59 percent).
- Tourism spending in 1997 was estimated to have generated a total of 2,544 jobs, 1,755 directly and 789 indirectly.

The contribution of tourism has, therefore, been positive in Samoa and, for this reason, the Government is keen to see the growth in the sector continue. The Government's role, particularly following the reform process of the recent past, is to facilitate such further development, with that development led by the private sector. Certain issues arise in this context and these are summarized below.

Marketing and Promotion

Samoa is promoted as "the heart of Polynesia," thereby focusing attention on the unique culture of the nation. This is in keeping with the desire to develop appropriate tourism: tourism that is culturally and environmentally sensitive, as well as economically beneficial. While the special lifestyle of Samoa and its people, along with their warmth and friendliness, comes across, there may be other, apparently minor matters to promote. For example, the personal safety and low health risks of Samoa are important attributes for tourism in the Asia-Pacific region.

The Samoan Visitors Bureau (SVB), a government agency, is responsible for the coordination of national tourism activity, aimed at ensuring positive and sustainable tourism development. The SVB also has a prime role in the promotion of Samoa as a destination for holiday visitors. This is an appropriate role for the Bureau, as it would be practically impossible for private operators to undertake effective international promotion. Furthermore, the SVB, as with tourism promotion agencies in other countries around the world, has an important role in promoting Samoa as a destination (as distinct from a product), while also taking a role in the coordination of industry promotion and marketing. Promotional initiatives of SVB include the development of brochures in association with wholesalers, coordination of familiarization visits to Samoa for journalists and photographers (with these visits supported by Polynesian Airlines), the production of promotional videos, and attendance at overseas trade shows.

The SVB receives an annual budget from the Government, currently SAT\$2.5 million, to undertake its various activities. However, around SAT\$1.5 million of this is required to cover salaries and administration, leaving only SAT\$1 million for promotional activities. The level of funding provided by the Government is a contentious issue, with the SVB seeking increased funding and the private sector suggesting that SVB's budget should be 10 percent of sector earnings of SAT\$115 million. Based on the Government's desire to facilitate tourism development and for tourism to be a leading sector in the drive for economic development, there is a strong case for an increase in SVB's budget.

At the same time, consideration should be given to contracting out some of the services currently provided by the Bureau. For example, SVB operates an internet site as a promotional tool for Samoan tourism. However, the site is not kept as up-to-date as it should be and the bureau has difficulty in staying abreast of developments in the use of the World Wide Web for promotion. This has become a highly specialized area, and developments in the next few years are likely to be rapid. The Internet will become even more critical in the promotion, marketing, and selling of tourism opportunities. Consequently, it is vital that SVB keep up with technological developments and that its site be regularly updated. The best way to do this would be to employ a specialist agency, on contract, to provide this service. Tenders should be called for this service, with performance criteria included in the contract.

Polynesian Airlines is also involved in the promotion of Samoa as a destination. The airline often works in association with SVB and also with wholesalers and hoteliers in its marketing activities. It has also developed packages to encourage visitors to Samoa.

The Samoan Visitor's Association (SVA) is the industry association in Samoa, established to coordinate a cohesive approach to the Government and SVB by the private sector. A hotel association has also been formed in 2000, but is yet to commence operations. Because of the small size of the Samoan industry, individual businesses are limited in their marketing activities and therefore seek to work closely with SVB, some independently and some through the SVA. The SVA is currently preparing a strategic plan in order to provide direction over the next three to five years for Association activities. One anomaly is that, although SVA is represented at SVB Board meetings, the Association is not a formal member and does not have an official vote. Given the Government's reform process, and given that the tourism sector will expand predominantly through private-sector initiative, SVA as the industry umbrella body should have voting rights at Board meetings. It is timely for SVB and the government to review the membership structure of the Board.

Finally, some individual tourism operators have begun to use Internet marketing agents in places such as the United States. This will give those businesses international marketing exposure, as they will be picked up through the major Internet search engines. SVB, through its educational activities, could encourage more Samoan businesses to make use of such services.

Value for Money

In the *Samoa Tourism Marketing Action Plan: 1998–2001*, Tourism Resource Consultants (1998) emphasized that marketing should establish Samoa as a value-for-money destination in a South Pacific context. Yet, as a destination, Samoa remains expensive in terms of both airfares and room tariffs in most hotels. For example, typical four-star rates in the region are around US\$100, but in Samoa this is a common price for three-star properties. An associated difficulty is that properties in Samoa tend to quote room rates in US dollars. This might be appropriate for visitors from American Samoa, the largest single source of visitors, but must be questioned for other important source markets such as New Zealand and Australia.

When compared to other Pacific destinations such as Fiji and Vanuatu, Samoa does not represent good value for money. This situation is exacerbated by the fact that the airlines have not, to this point, strongly supported the development of tourism packages, principally because of the profitability of the VFR sector. Both SVB and SVA need to continue to work with the airlines and accommodation providers in attempting to make Samoa a better value-for-money destination. At the same time, it is noted that certain restructuring has occurred recently in Polynesian Airlines: the appointment of an experienced commercial development manager augurs well for a closer relationship with the private sector and the probable development of packages to suit a range of clients. This is important to the airline which, in November 2000, takes delivery of a new 737-800 aircraft, with plans to commence direct flights between Apia and Sydney.

Style and Size of Development

As previously noted, the Government—and the industry—consistently state that the appropriate type of tourism development for Samoa is an approach that recognizes Polynesian culture and does not lead to radical social change. Consequently, SVB also supports the continued gradual development of tourism, rather than a rapid growth in activity. Additionally, the bureau is focused on low-volume, high-return developments. Small coastal resorts have been identified as one way of meeting these criteria, with a number of potential sites for such developments identified around the nation. The reality is, however, that this strategy has met with little success, possibly because the sites identified are on customary land. Consequently, potential investors find it difficult to access land, while financial institutions are reluctant to lend for tourism de-

velopment, which they see as high-risk (especially on customary land). One apparently successful small-scale beach resort, which is Samoan-owned, -designed and -managed, is based mainly on freehold land, yet even then the proponents found it difficult to obtain the needed funds for development. It was because further Samoan investors became involved that they were able to raise the needed financing.

The other issue that arises is that of occupancy rates. There are around 750 rooms in the Samoa tourism sector, with more than 50 percent of these in Apia. Most properties have been experiencing occupancy rates of around 40 percent, so any moves to establish further capacity must be questioned. This also serves to emphasize that development of accommodation and related facilities must be demand-driven, not supply-led. The potential for business failure in a small market typified by low occupancy rates is very high. Notwithstanding this concern, there is ongoing interest in the establishment of a "name-brand" resort in Samoa (i.e., a resort managed by a company such as Sheraton or Hyatt¹). TIPU (1999b) favors the development of one large resort of 200–250 rooms rather than a series of smaller ones; it believes that such a development would have a marketing advantage, can provide tested management and operating systems, will provide more local opportunities for ancillary businesses, and could become a benchmark for smaller resorts that might subsequently develop. Such a resort would also be able more easily to attract the lucrative convention market to Samoa.

Based on the number of airline seats, the style of development preferred in Samoa, and the existing surplus of rooms, however, the recommendation made by Tourism Resource Consultants (1998) is preferred. This recommendation is to encourage the development of an internationally managed ("name brand") "boutique resort" of about 100 rooms. The benefits of such a development include the idea that it would raise operational standards in Samoa and boost overseas marketing credibility (Tourism Resource Consultants 1998). An appropriate development of this kind, featuring traditional Samoan *fale*-style architecture, could boost confidence and ensure an expanded international marketing network. In other words, the development should lead to increased opportunities for the local tourism industry. Polynesian Airlines personnel have emphasized the importance of such a development, as the preparation and marketing of holiday packages at the premium end of the market are presently constrained by the absence of five-star accommodations.

¹ Note that chains such as Sheraton do not own hotels, but manage properties under their name, that is, an investor may finance a hotel of a suitable standard and that hotel then is managed and marketed under the Sheraton name, the assumption being that it meets the standards specified by the Sheraton group.

The Government has a key role to play in facilitating such a development. First, the provision of land is crucial to success. As noted in the discussion of the agriculture subsector, one such area of land is the STEC land near the international airport. Furthermore, the Government's Tourism Investment Committee will have a key role in coordinating the needed support and input from government agencies for such a development, as well as community support for it. Government reforms, including the more open attitude to FDI and the more attractive tax and tariff regimes, will support a development of the kind proposed. To take this proposal forward, it is recommended that the Government, through the Tourism Investment Committee, identify an appropriate parcel of land, such as the STEC land, and invite expressions of interest from the international tourism investment sector to establish the facility. Government should also approach the South Pacific Project Facility for support in the further development of this project.

TIPU (1999b) also suggested that, to facilitate an investment such as that above, the Government might take equity—as a joint-venture partner—in the development, through either the Development Bank or the National Provident Fund.² The reasoning is that such seed funding would boost confidence and stimulate further investment in the sector. It is recommended, however, that the Government and/or its agencies not become involved in tourism development as an investor. For good reasons, governments in other countries have withdrawn from such arrangements, with those reasons including poor management, inability to make needed capital injections, and low levels of profitability. The Government's role, as evidenced by its reform process, is to facilitate development by removing impediments to the private sector, which, if an investment is viable, is best equipped to take up that investment.

Land and Infrastructure

The issue of land tenure was discussed previously in Chapter 8, where land needs for agricultural development were considered. The issues relating to tourism development are the same as those for agriculture. With more than 80 percent of land in customary ownership, including much of the coastal land, investors in tourism are likely to find it difficult to gain access to land for the purposes of tourism development. Investors will require long-term, secure access to land, either as freehold or under government-guaranteed leases, with durations of up to

² This is very unlikely. The funds held in the National Provident Fund, for example, belong to Samoan workers, not the Government. It is difficult to see how such funds could be used for such an investment.

99 years. Despite the stated intention of the Government to become more proactive in facilitating access to land, the reality is that access to customary land for long-term development is likely to continue to be fraught with difficulty.

The issue of access to land might, however, be overstated in the present situation for tourism development. First, plans for a number of small coastal resorts, on customary land, are predicated on an assumption that that is indeed what the owners, or the matai who are the local decision makers, wish to do with their land. Yet, with the relatively high level of concern about the potential social impacts of tourism, this might not be a correct assumption. Furthermore, such plans seem to imply that, as with the agriculture situation, customary landowners are not making rational choices. Again, such an implicit assumption should be challenged.

At the same time, current low occupancy rates, as previously noted, do not support a supply-led development of further properties. If existing resorts begin to show strong financial viability, perhaps as a result of the development of the boutique resort, then market forces will entice other investors in and the option to develop land for this purpose might become more attractive to customary owners. Furthermore, the land required to meet likely short- to medium-term demand for tourism development should be available either at STEC or through the SLC.

In conclusion, it is *not* clearly the case that in Samoa land tenure is a major constraint on tourism development at present, particularly if access to STEC and SLC land is facilitated. Furthermore, it is not clear that customary landowners are necessarily interested in such developments on their land. Rather than land, constraints on tourism development lie in the high costs of tourism in Samoa, the reluctance of financial institutions to lend for what is seen as a high-risk activity, the lack of bankable projects, and the current relatively low level of demand by tourists to visit Samoa.

There may also be a number of more fundamental issues to be addressed if tourism is to develop in Samoa in the manner desired. Infrastructure is chief amongst these issues. Tourism operators complain of problems with the quality and supply of both water and electricity, while in certain areas, telecommunications remain unreliable and of relatively poor quality. One outcome of difficulties with water and power supply is that tourism businesses need to install backup systems, thereby adding to the capital and operating costs of tourism developments. The quality of the power supply is a particular problem, with operators complaining of destroyed electric motors, resulting in problems such as maintaining refrigeration. Again, power variations have meant that

tourism operators are required to install expensive surge protection equipment, yet another cost to their business. Most other infrastructure, such as roads and airports, is generally adequate, although parts of Apia could be made more “pedestrian friendly.”

Tourism Industry Training

The training of people to work in the tourism and hospitality industry is critical to its success. One feature of mature tourism markets is that they have placed considerable emphasis on trained staff, who are the key to success in a service industry. Samoa, through the Samoa Polytechnic, has begun to address this issue with the recent introduction of a Certificate course in Hospitality and Tourism, training for chefs beginning in 2000, and the availability of a Diploma in Business (Tourism). SVB personnel identified the need for a focus on service provision in the Samoan tourism industry, highlighting this as a weakness. This issue, along with other key matters in tourism training, is being addressed in the Polytechnic’s new courses. Other training matters relate to ancillary services such as taxi services. Apia is well served by taxis, but the quality of service is not always as high as it might be. For example, many taxi drivers do not know the location of most restaurants. While there has been some training for the industry, further training is needed in service provision and knowledge of both Apia and local tourism attractions. Taxi drivers are often the first people with whom visitors speak and they are therefore important to the promotion of local tourism and recreation opportunities.

Other Issues

Two other issues are important to the continued development of the Samoan tourism industry. First, businesses in Samoa cannot, by law, accept foreign currency in exchange for goods. This is a minor yet important issue, but one which is easily overcome. Again, in mature markets, foreign currency is accepted and, with the importance of the US and American Samoa tourism markets, acceptance of currencies such as US dollars should be allowed. Given the reforms to the tariff system and the migration of wholesaling and retailing activities from American Samoa to Samoa, concerns about taking foreign currency out of the country should be minor.

A second issue of importance not only to tourism, but to all industries and commercial and residential development, is the zoning of land. Land use planning and the subsequent zoning of land should be given

high priority in Samoa. At present there are virtually no controls on where various industries locate; this indifferent attitude could well come into conflict with other kinds of development. For example, it would be possible for a tourism resort to be constructed on the waterfront in Apia, and for a fish handling and processing plant to be constructed right next door. These are incompatible neighbors and such a likelihood would be removed by appropriate zoning. Already some tourism operators are complaining about conflicting activities that have been developed near their tourism business (for example, beside the entrance of the Robert Louis Stevenson museum, one of Samoa's prime attractions, a large shed is being constructed to be used as a church). A related matter, discussed in Chapter 8, is that of environmental impact assessment (EIA). While government policy is that EIAs should be undertaken, there is no statutory requirement for anyone to do so. However, to ensure that the natural resources that are important to tourism and other industries are protected and/or managed, EIA is critical.