

The Secretary,
Senate Foreign Affairs, Defence and Trade Committee
P.O. Box 6100, Parliament House
Canberra ACT 2600, Australia



30 August 2008

Dear Dr Dermody,

Re: Inquiry into the main economic and security challenges facing Papua New Guinea and the Island States of the Southwest Pacific.

Thank you for this opportunity to make this submission to your Inquiry and subsequent report to the Senate by 30 May 2009. We are hopeful the work of your Committee will ultimately also help improve Australia's Country ranking in the Commitment to Development Index.

We, Pacific Asia Tourism Pty Ltd, (www.pacificasiatourism.org)

- ❖ Have a particular interest to see an enhancement of the contribution by Australia's international Aid to, and cooperation with, developing nations in the Pacific region through sustainable tourism initiatives.
- ❖ Have a strong commitment to advocating the capacity of sustainable tourism to contribute to the Millennium Development Goals. Improving people's lives reflects traditional Australian values.
- ❖ Are a Founding Partner of the new Oceania Sustainable Tourism Alliance - working with Pacific Communities through sustainable tourism programs to deliver economic growth, community benefit & connection, cultural & environmental stewardship and adaptations to climate change. (www.oceaniatourismalliance.net)

Importantly, tourism is already a major – and the most highly integrated – sector of most Pacific Island economies. If we accept that Australia wants and needs peaceful, prosperous and secure neighbours in the Pacific and healthy economies are critical to achieving that objective, then by having Australia's international development agenda making a greater commitment to assisting the sustainable development of appropriate forms of tourism in the islands make clear sense.

I respectfully present the following topics for the information of your Inquiry:

1. Tourism as part of the international development agenda.
2. Tourism and the Millennium Development Goals.
3. Why can tourism be an efficient tool for fight poverty in developing countries?
4. Tourism and the Pacific Islands.
5. Thirteen recommendations for considerations – starting from a position of optimism!

Sincerely yours,

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1. Tourism as part of the international development agenda.

Compared to most OECD countries, Australia has been a slow mover in developing an understanding and applying practical applications which include developing Pacific island tourism within programs offered via agencies such as AusAID. By contrast, the Government of New Zealand (NZAID) has many decades of pro-active programs which have supported the development of appropriate forms of tourism in the region.

USAID also have a long history of utilizing tourism to achieve its objectives. In recent years, USAID has funded the Global Sustainable Tourism Alliance (www.gstalliance.org) as a new mechanism to bring together players in the value chain from donor agendas/commitment right through to products that connect to marketplaces. Based on the experiences and with the support of USAID to give encouragement and to share information, we have become a Founding Partner of the new Oceania Sustainable Tourism Alliance, www.oceaniatourismalliance.net

Further information on USAID's sustainable tourism activities is available from www.nric.net/tourism.htm

As an example of how a national government has understood and committed to applying tourism as an international development tool, Andrew Natsios, USAID (1) has noted:

'Tourism is a particularly powerful tool for achieving our goals because it has become one of the largest – if not the largest – single industries in the world..... Since the year 2000, USAID has undertaken or begun more than ninety projects, in 72 countries, that either specifically address the tourism sector or else utilize tourism as a component for achieving other objectives. The cluster-based competitiveness approach is widely used, with total initiatives amounting to almost \$58 million in 26 countries. The concept is that product quality, international competitiveness and hence sustainability increase as linkages and synergies in a local economy become stronger and more dynamic. USAID projects that have embraced tourism as a component for supporting economic growth range from a bed and breakfast network in Armenia to a tourism marketing web site for Mongolia, to a new National Tourism Strategy for Jordan.

Tourism has also been instrumental in advancing USAID's *strategic objectives of gender equity and promoting women's role in the development process.*² For example, in Tanzania, a group of village women formed the Naisho Women's Group (Naisho means "increase" or "multiply" in Maasai) to work toward preserving their culture and alleviating gender inequality and poverty. In many locations such as Tanzania, Mexico and Botswana, tourism revenue has been used to build women's centers and to promote artisan activities and micro-credit projects.

Micro-funding is extremely important for many women attempting to establish their own enterprises, since traditional forms of funding may not be accessible. Operating through more than 500 implementing partners in 2003, USAID served a record 5.6 million poor clients via loans for micro-enterprises and other purposes valued at \$1.3 billion. Some 94 percent of all loans were paid on time, 65 percent of the clients were women, and 55 percent of the loans were held by very

¹ *The Role of Sustainable Tourism In Furthering USAID's Mission*, by Andrew S. Natsios
United States Agency for International Development, World Tourism Organization
Sustainable Tourism Policy Forum 2004, Washington DC

² Also note www.tourismgender.com

poor clients. More than 3.1 million micro-entrepreneurs, some of them in the tourism sector, received business development services from USAID-assisted institutions, resulting in improved market access, productivity and earnings.

Tourism initiatives typically contain strong *training and education* components to assist local populations with acquiring new job skills and adapting to changing local economies. Necessary skills such as hospitality, marketing, public negotiations, and scientifically-based conservation techniques are cross-sectoral themes in tourism training. At least twenty current USAID tourism projects specifically integrate training and capacity building into the project model.

Additional examples of enhanced training opportunities come from Ghana, Tanzania and Jordan. Ghana's Tourism Capacity Development Initiative improved the capacity, quality and performance of the tourism industry through training in marketing and product development, human resources development (including technical training for tour guides, and institutional capacity development. Train-the-Trainer conferences are held in Tanzania for institutional capacity building among such local conservation organizations as Roots and Shoots (a Jane Goodall project) and Malihai. In Jordan a grant to the Jordan Tourism Board facilitated a series of workshops on crisis management for a tourism industry adversely impacted by conflict in the Middle East.

Tourism development is being effectively and increasingly utilized not only for achieving economic growth and poverty reduction goals, but also as a valuable tool for other USAID *objectives relating to sustainable natural resource management, biodiversity conservation and local governance*. While supporting economic growth and competitiveness is a critical need, it is also imperative to help to protect and enhance the natural resources that most of the world's poor look to for their livelihoods. Many of USAID's tourism activities are capitalizing on increasing interest among travelers in eco- and geotourism to promote projects that support more widely applicable, community based, natural resources management and biodiversity protection objectives.'

Natsios concludes his remarks with some reflections and words of caution:

USAID is learning from its experiences in the field that tourism is complex, multi-faceted, and can be woven into many different Agency objectives and strategies, from economic growth to poverty reduction to global health to natural resources protection and management. Done wisely and well, it has the capacity to reduce poverty, stimulate locally-retained economic growth and improve livelihoods.

But tourism, planned badly, can be extremely destructive to its surrounding environment. With an integrated strategy, comprehensive planning and participation by all levels of community, tourism is capable of accomplishing many worthwhile and needed objectives. However, still better ways need to be developed to ensure that tourism is, in fact, "sustainable".

The sector must act as a catalyst for other development, and not an end in itself. Over-dependence on any single industry may be equally as risky to a local economy as any other mono-activity, especially in today's world.

Tourism represents around 35% of the world's exports of services and over 70% in Least Developed Countries (LDCs) www.unwto.org/index.php
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2. Tourism and the Millennium Development Goals.

Tourism can have a positive impact on each of the eight, closely interrelated, MDGs. An introduction to this topic is readily accessed at www.pacificasiatourism.org/mdgs_tourism.html and, specifically, at www.pacificasiatourism.org/extracts_of_lecture_on_tourism_26_mdgs.pdf

3. Why can tourism be an efficient tool for fight poverty in developing countries?

The information below is published by the STEP program (Sustainable Tourism Eliminating Poverty) of the United Nations World Tourism Organisation www.unwto.org (Note: The Government of Australia is a formal member of this UN Specialised Agency)

Tourism is consumed at the point of production:

The tourist has to go to the destination, opening opportunities for a variety of local businesses and allowing local communities to benefit through the informal economy by selling goods and services directly to visitors.

Tourism is a more diverse industry than many others:

Tourism has the potential to support other economic activities, both through providing jobs that can complement other livelihood options and by creating income throughout a complex supply chain of goods and services.

Tourism is labour intensive, which is particularly important in tackling poverty:

Tourism provides a wide range of different employment opportunities especially for women and young people – from the highly skilled to the unskilled – and generally it requires relatively little training.

Tourism creates opportunities for many small and micro entrepreneurs:

This occurs in both the formal and the informal economies within a destination. Tourism is an industry in which start-up costs and barriers to entry are generally low or can easily be lowered.

The infrastructure required by tourism can also benefit poor communities:

This includes transport, communications, water supply, sanitation, public security, education and health services

Most developing countries have a comparative advantage in tourism:

This often differentiates them from more advanced economies. They have assets of enormous value to the tourism industry – authentic culture, art, music, natural landscapes, protected areas, wildlife and climate.

Tourism provides not only material benefits for the poor but also cultural pride:

Tourism creates greater awareness of the natural environment and its economic value, a sense of ownership and reduced vulnerability through diversification of income sources.

4. Tourism and the Pacific Islands.

Tourism continues to lead economic development in the South Pacific. Visitors to the South Pacific continued to grow in 2007 with visitor arrival statistics indicate that 1,334,685 people visited the region in 2007, an increase of 4.1 percent. (www.south-pacific.travel) These visitors are seeking a very genuine, friendly and undemanding level of hospitality which all of the Pacific Island destinations can deliver.

Growth in visitors to the South Pacific Islands was double that to Australia and New Zealand in 2007, which both recorded a 2% increase in visitors. Globally visitor arrivals grew by 6.2%, but this was dragged up significantly by Asian destinations (eg China grew 10%) which have fast growing economies (www.UNWTO.org).

The goal of the current *Pacific Plan* is to enhance and stimulate economic growth, sustainable development, good governance, and security for Pacific countries through regionalism.³

The regional tourism organisation, south-pacific.travel, has suggested target revenue for the region of US\$2 billion p.a. by 2010 – *and if this could be achieved, tourism would be the single largest contributor to 'Pillar 1' of the Pacific Plan.*⁴

Tourism is already a major contributor to the economies of the Pacific Islands – some 50% of GDP for the Cook Islands and Palau, and high in numerous other destinations such as Fiji and Vanuatu.⁵

5. Thirteen recommendations for consideration.

Starting from a position of optimism: Tourism has already largely made a positive contribution to improving the lives of people, in most of the islands of the Pacific. It's not perfect, but, properly planned and resourced with increased local capacity to manage and play a pro-active role, it's the best chance the Pacific has for peaceful and sustainable prosperity.

(i) Pro-poor tourism commitment: The Australian Government should adopt pro-poor tourism strategies and agreements in the Pacific Islands that have (to quote the Secretary General⁶ of the UNWTO), 'imagination and political will'. (See: www.st-ep.org) Tourism is a multi-faceted industry and within the weak island economies and some fragile states, here are interconnected security, governance and development issues that need a range of policy instruments – not just from the traditional development agencies. Hence, the pro-poor tourism approach needs to be part of integrated and coherent country plans that involves many agencies within the Government of Australia.

(ii) Sustainable tourism as a key program priority: AusAID to place sustainable tourism amongst their key priorities for infrastructure and entrepreneurial support for the Pacific Islands, recognizing that as a labour intensive sector composed of many small and medium sized enterprises that employ a relatively high proportion of women, youth and local communities,

³ <http://www.pacificplan.org/tiki-page.php?pageName=HomePage>

⁴ http://www.spto.org/public/annual_reports/annualreport061.pdf

⁵ http://www.pacificplan.org/tiki-list_file_gallery.php?galleryId=11

⁶ Increase tourism to fight poverty - New Year Message from UNWTO
2 January 2007, Madrid

tourism plays a significant role in socio-economic development, poverty reduction and attainment of the Millennium Development Goals.

(iii) Sharing prosperity: Tourism has long been an instrument of globalization. If we accept that globalization (and tourism) is not going away and that its benefits will exceed its costs, there still will be some losers. Increased access to funds for job retraining, wages insurance, easy mechanisms for job mobility and reducing costs that burden destination competitiveness in the global tourism market can all assist Pacific Island communities.

(iv) Labour mobility: (i) Expand unskilled temporary migration opportunities for Pacific Islanders to work in the tourism and hospitality sector in Australia ensuring that the sending countries will take responsibility for bringing the workers back home (ii) raise the number of visas granted to skilled workers from Pacific Island nations who seek to work within the Australian tourism, travel and hospitality sectors. Australia is already competing with other rich countries to attract these people, so why loose them to other parts of the world?

(v) Climate change: Tourism in the Pacific Islands needs assistance in reducing its own carbon footprint and making a contribution to the conservation of natural and nature-based resources. Australia should assist the Pacific Island nations accessing and participating in new multilateral clean energy programs that can accelerate the switch to renewable energy sources.

(vi) Education and skilling: Review the purpose, function and performance of the Australian Vocational and Technical Colleges in the Pacific with a view to applying those resources to build the capacity of existing post secondary institutions to undertake those functions.

(vii) Barriers to trade: The Pacific needs sustainable tourism development friendly trade policies from Australia. Rich country agricultural protection in the Doha round of trade talks undercut the small markets for any cash crops the Pacific can produce and increase the cost of food for communities and the supply chains essential to a competitive tourism sector. We need to know to what extent any Australian tariffs are hitting the ultimate costs of tourism goods and services in the Pacific Islands. It would be good to see something like a *Pacific Islands Sustainable Tourism Growth & Opportunities Strategy* from the Australian Government which identified and addressed key barriers to the tourism trade in the Pacific Islands.

Market access for the Pacific Islands should be seen as a development policy rather than trade policy.

(viii) Foreign Investment: (i) Plan a new *Pacific Regional Tourism Investment Agreement* to boost Australian investment in appropriate forms culturally and environmentally sensitive of tourism products in the Pacific Islands. (ii) Resource local South Pacific leadership in an international effort to identify and reform policies that allow FDI in tourism infrastructure or services to cause harm to communities and island economies.

(ix) Land ownership & private sector development:

Most South Pacific tourism destinations have tropical 'sun, sea, sand' attributes. Access to these resources comprises the main tourist experience and forms the main motivation for most travelers to the islands of the Pacific. Traditional society and resource ownership is fundamental to each island nation's character and society. Tourism resource owners have a major interest in tourism developments and have expectations of obtaining benefits which include issues of social equity, reducing economic leakages and providing local employment and education opportunities.

Foreign investors from Australia need assistance in developing an understanding of traditional practices, local authority structures and loyalties, land ownership and land use.

There is also a need to resource local community engagement in the development of strategies and initiate marketplace mechanisms to attract investors/operators which enable the sharing of the benefits of sustainable tourism to areas that receive few tourists.

Micro financing instruments for community-based tourism projects need to be supported.

(x) Regional organizations: While it is acknowledged that collective action for tourism is difficult across the vastness of the Pacific Ocean which is faced with expensive air travel and long sea based travel nevertheless it is vitally important for the region's tourism sector to have regional representative organisations such as the South Pacific Tourism Organisation. (SPTO). Other regional environment, NGO and other organizations often also have tourism related programs, but SPTO is the peak agency for the region which suffers from lack of resources to undertake its vital work for the Pacific destinations. SPTO needs a 5 year rolling commitment from the Australian Government to underpin some of its key functions e.g. administration, operations, destination marketing. In addition, from time-to-time, it should be eligible to submit for program specific funding in accordance with the AusAID (and other Australian Government agencies) agendas.

The Australian government should also have a close look at how US AID have structured and used www.gstalliance.net to achieve their objectives. USAID have already been supportive with information sharing to establish www.oceaniatourismalliance.net, and are most willing to share their experiences with AusAID and the Australian Government such that a suitable model could be functioning in the Pacific region.

(xi) Risk Management: Establish a large contingency fund for unforeseen crisis/disasters which have a major impact on the tourism economy of the Pacific Islands. Any strategies for expanding increased tourism trade and investment also need strategies and resources to cushion shocks.

(xii) Multilateral organizations: Via Australia's investments and engagement in organisations including the World Bank, International Finance Corporation, the Asian Development Bank, the UN World Tourism Organisation and a range of other UN agencies and environmental agencies, ensure that the Pacific Islands and sustainable tourism are considered in new program initiatives which can benefit the region. (Often times, the more active developing economies in Asia 'drown' out the voice of the Pacific in these forums)

(xiii) Fiji post military government: Fiji remain the biggest player in tourism in the Pacific and will remain so in the foreseeable future. At some time, it will return to democratically electing a national government and rejoining the international community. If tourism into Fiji suffers, tourism into the Pacific suffers. A 'Return to Democracy Strategy for Fiji Tourism' to take full marketplace and FDI advantage of Fiji's Parliamentary evolution should be investigated.