

**TONGA TOURISM SECTOR ROADMAP**  
**2014 - 2018**  
**FINAL REPORT**

**Prepared by TRIP Consultants**

**August 2013**

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**Annex A – Tourism Investment Opportunities Framework**

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**Acronyms**

ADB	Asian Development Bank
CLO	Crown Law Office
DLZ	Development Land Zone
GDP	Gross Domestic Product
GFC	Global Financial Crisis
HRD	Human Resource Development
IFC	International Finance Corporation
IVS	International Visitor Survey
PPP	Public Private Partnership
MET	Ministry of Education and Training
Mol	Ministry of Infrastructure
MoIA	Ministry of Internal Affairs
MoJ	Ministry of Justice
MoL	Ministry of Lands
MoP	Ministry of Police
MoPE	Ministry of Public Enterprises
MoR	Ministry of Revenue
MoT	Ministry of Tourism
MCTL	Ministry of Commerce Tourism and Labour
NGO	Non Government Organisation
NIIP	National Infrastructure Investment Plan
NPO	National Planning Office
NUDSP	Nuku'alofa Urban Development Sector Program
PA	Palu Aviation
SME	Small and Medium Sized Enterprise
SOE	State Owned Enterprise
TAL	Tonga Airports Limited
TBEC	Tonga Business Enterprise Centre
TNQAB	Tonga National Qualifications Accreditation Board
TTCCI	Tonga Chamber of Commerce and Industry
TERM	Tonga Energy Roadmap
TSCP	Transport Sector Coordination Program
TSDF	Tonga Strategic Development Framework
TTA	Tonga Tourism Authority
TTR	Tonga Tourism Roadmap
TTTNA	Tonga Tourism Training Needs Analysis
TVET	Technical Vocational Education and Training
USA	United States of America
VFR	Visiting Friends and Relatives
YTD	Year To Date

## EXECUTIVE SUMMARY

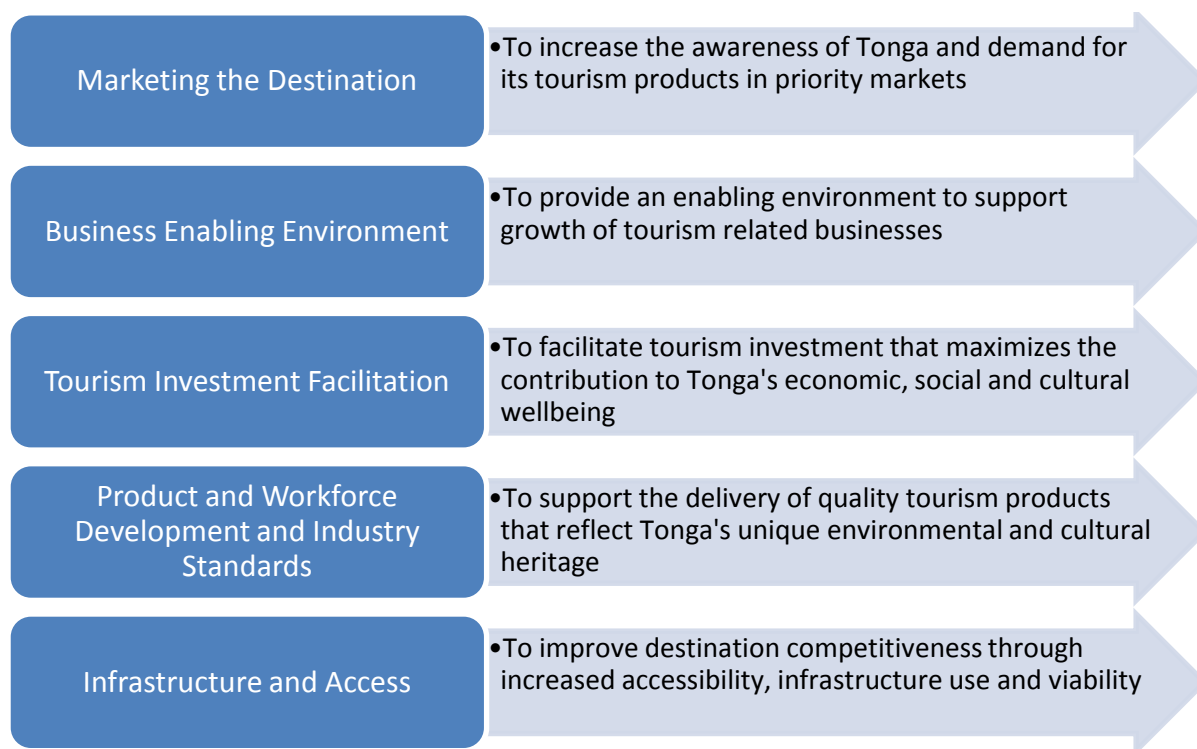
### Introduction

This Tonga Tourism Sector Roadmap (TTSR) outlines the requirements to facilitate a prioritised and coordinated approach to the development of the tourism in Tonga. This Roadmap is designed to identify and address sector related impediments, to facilitate a faster rate of economic growth for Tonga than has been achieved in the past.

The focus for this Roadmap is the short to medium term covering the next five years and on the implementation of practical and systematic measures to build a stronger and sustainable tourism sector. The Vision for the Tourism Sector developed through the TTSR consultation program is that:

**Tourism drives Tonga’s future sustainable economic growth, optimising wealth and prosperity for all Tongans**

Five interrelated focal areas form the basis for the Tourism Roadmap. High level goals have been established for each focal area and the Roadmap recommendations have been framed around these areas as follows:



The specific objectives for the Tourism Sector are that by 2020 tourism in Tonga will:

- Be the main source of income for Tongans generating over 100 Million TOP for the economy
- Be a growing sector representing over 30 percent of national GDP
- Increase the number of those employed in the workforce through tourism to 4,000
- Increase the total number of arrivals to 80,000 per annum (equating to 6 percent growth pa)
- Double the size of the holiday market to 32,000 arrivals (equating to 7.2 percent growth pa)

## Tonga Tourism Sector Roadmap – FINAL REPORT

- Increase the number of cruise ship visitors to 30,000 passengers (equating to 7.0 percent growth pa)
- Underpin the operation of international and domestic aviation services seven days a week
- Reduce the seasonal impacts of tourism so that approximately 45 percent of all visitor arrivals take place in the first six months of the year
- Increase the market share of Tonga to 4 percent of regional (South Pacific) tourism arrivals
- Support the formalisation and sustainable management of an additional five marine and land based protected areas
- Support the restoration and sustainable management of ten heritage sites throughout Tonga

A summary of the major identified tourism development opportunities is outlined in Section Two and further documented in Annex A and Annex B.

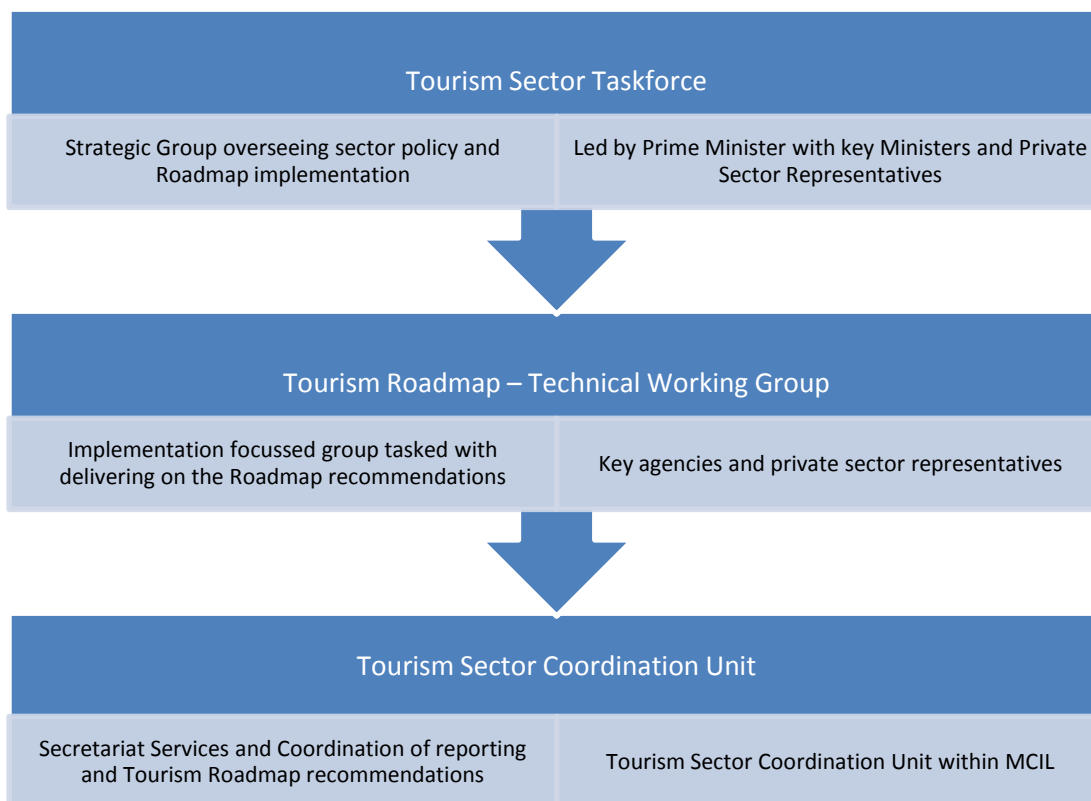
The tourism policy and fiscal context for the Roadmap are outlined in Section Three, whilst the market context is documented in Section Four.

The Roadmap recognises that Tonga has underperformed in terms of visitor growth in the last 15 years and that Tonga's growth rate in terms of visitor arrivals in the last five years has averaged only 1.2 percent per annum, which is less than half the regional average. Market characteristics and growth prospects are further discussed in Section Four.

Section Five of the Roadmap highlights the key strategic actions which are required to overcome the identified constraints and achieve the established objectives and goals.

In order to facilitate a more coordinated and prioritised approach to the development of the tourism sector, three interrelated and complementary institutional structures need to be established and resourced. The relationship and core function of each of the coordinating groups is summarised in the diagram below and outlined in more detail in Section Five.

Limited human resource and financial constraints determine that a prioritised and sequenced approach is required to the implementation of the actions identified. This is further defined and documented in Section Seven (Implementation Program).



In order to implement the recommendations of the Road Map an increase in the level of resources applied to the sector is required. This requires a level of commitment from the Government to grow the sector. Equally though the Roadmap is a partnership between the public sector, private sector, communities and donors who each have their own role to play in supporting implementation.

Budget estimates have been developed for the five year period of implementation, commencing in the last quarter of 2013. The budget estimates are illustrated below for each focal area and for the sector management strengthening component, by the anticipated year of expenditure. The total budget over the five year period required for implementation is TOP 48.7 million.

Tonga Tourism Roadmap – Five Year Budget

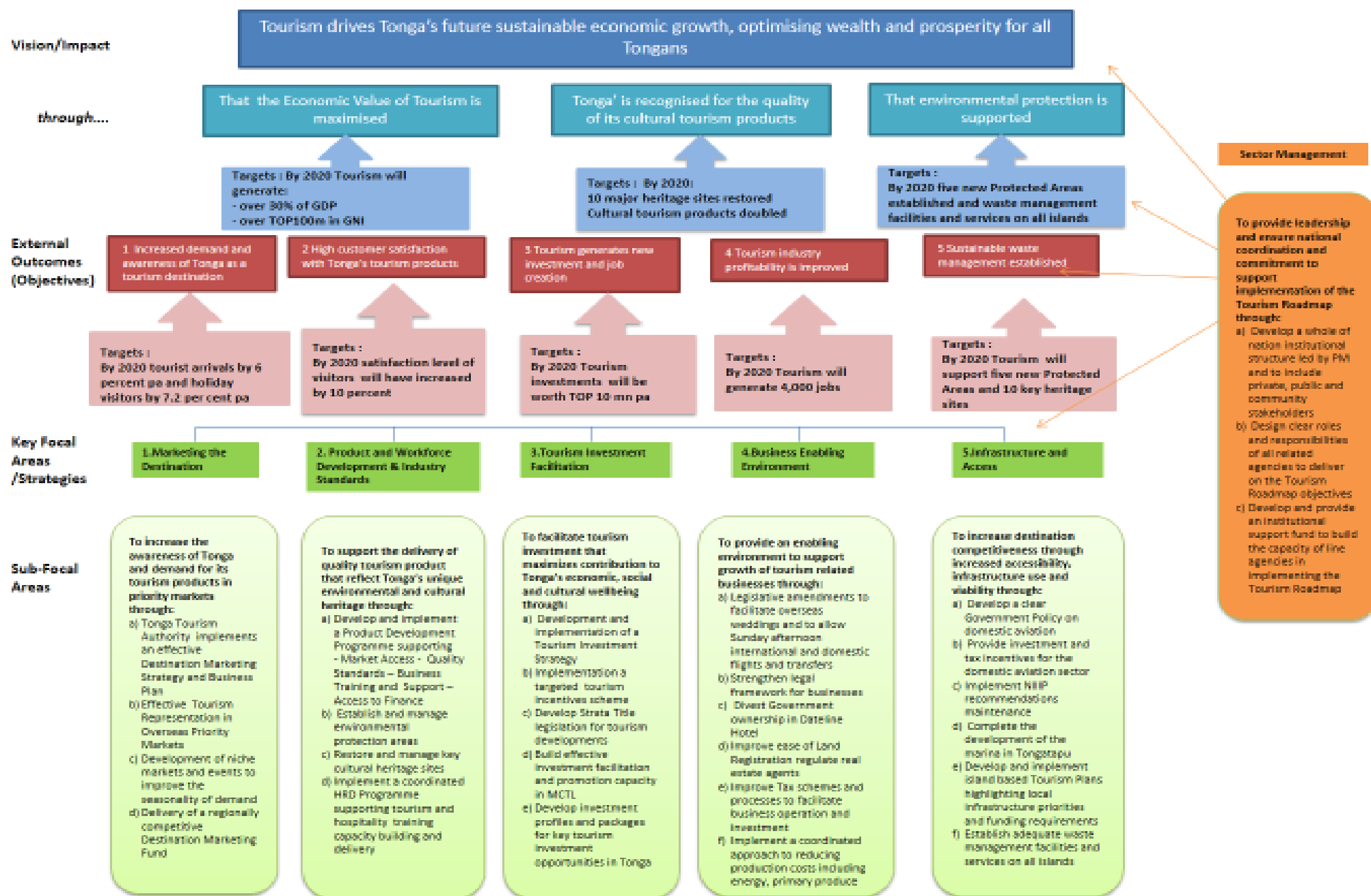
<b>TTR Implementation Programme</b>	<b>Year One 2013/14</b>	<b>Year Two 2014/15</b>	<b>Year Three 2015/16</b>	<b>Year Four 2016/17</b>	<b>Year Five 2017/18</b>
<b>TTR Sector Management</b>					
<b>Sector Management</b>	2.86	2.65	2.84	2.65	2.84
<b>TTR Focal Area</b>					
<b>Marketing</b>	3.50	3.50	3.50	3.50	3.50
<b>Business Enabling Environment</b>	0.10		0.20		
<b>Tourism Investment</b>	0.50	0.75	0.25		
<b>Product/Workforce Development/Standards</b>	1.66	1.57	5.31	3.15	3.15
<b>Infrastructure and Access<sup>1</sup></b>	0.42		0.20		
<b>TOTAL<sup>2</sup></b>	9.04	8.47	12.3	9.4	9.5

A summary diagram outlining the Tonga Tourism Sector Framework is presented overleaf, including the sector vision, objectives, focal areas and key initiatives:

<sup>1</sup> Excludes Infrastructure priorities already budgeted under NIIP

<sup>2</sup> All figures in 2013 values with no adjustment for inflation

## Tonga Tourism Sector Framework





## 1. Introduction

### Introduction

Tourism has been identified by successive governments, the private sector and many communities in Tonga, as the major economic development opportunity, with potential to provide broad based employment and income generation, as well as support the retention of cultural traditions and the sustainable management of the nation's environmental assets. The overarching Government development strategy, 'the Tonga Strategic Development Framework' highlights the priority placed on growing the tourism sector.

This Tonga Tourism Sector Roadmap (TTSR) outlines the requirements to facilitate a prioritised and coordinated approach to the development of the tourism in Tonga. This Roadmap is designed to identify and address sector related impediments, to facilitate a faster rate of economic growth for Tonga than has been achieved in the past.

The focus for this Roadmap is the short to medium term covering the next five years, to ensure practical and systematic measures are taken to build the tourism sector. The TTSR outlines a sequenced and prioritised program of development.

Addressing the identified constraints will not be easy, but the alternative is to continue to underperform in a sector which has much potential for the country. To achieve the goals established in this Roadmap however, will require the support of all stakeholders, in the public and private sectors, as well as the broader community. A '*Whole of Nation*' approach to prioritize the sector and recommendations in the TTSR is required if sizeable growth is to be achieved.

Increasing tourism sector development can bring great benefits to the country, particularly in terms of income, employment and foreign exchange earnings; however even relatively modest growth at the levels proposed in the TTSR, will require sustained commitment to the Roadmap recommendations, strong leadership, increased investment and additional resourcing.

The TTSR provides the basis for a prioritised and coordinating approach to address the major sector impediments which will be required if the low level of investment and sector growth, is to be turned into a level of growth which is more comparable with other Pacific countries who have been successful in developing tourism. Addressing one or two of the identified constraints may only lead to marginal improvements in sector performance, but a concerted and sustained effort by all stakeholders can substantially change the investment climate and industry dynamics in the medium term.

### Background

Despite increasing recognition of the potential role that tourism can play, the tourism sector in Tonga has failed to grow at the same pace as many neighboring countries. Tonga is

currently ranked ninth out of the fifteen South Pacific countries in terms of visitor arrivals, well behind neighboring countries such as Fiji, Samoa, Vanuatu and the Cook Islands. Holiday arrivals to Tonga are now at a lower level than in 1994.

In addition, although studies have been undertaken on tourism development in Tonga, no sector wide plan has been developed since the 1994 Tonga National Tourism Plan (ADB). The development of the TTSR is an attempt to develop a clear way forward for the future growth of the sector.

The TTSR has been prepared to document clear priorities for sector development and establish the institutional mechanisms and resourcing requirements to support a sector based development approach. The findings contained in this document have drawn on several previous tourism specific studies<sup>3</sup>, existing government policies and plans in key areas including in national planning, infrastructure, culture and education. The outcomes from consultation with a range of stakeholder groups have also been incorporated into the TTSR, including comments provided on the *'Situation and Analysis and Draft Tourism Sector Framework Paper'* which was made available for public comment in April 2013.

The Tourism Sector Framework is presented (Section Two), to establish the strategic vision and high level goals and objectives for the sector.

The development context, rationale and identification of key issues are presented in detail in Sections Three, Four and Five. Five strategic areas have been identified and these form the structure for the Roadmap recommendations as follows:

- Marketing the Destination
- Business Enabling Environment
- Tourism Investment Facilitation
- Product Development, Industry Standards and Training
- Infrastructure and Access

Recommendations based on the identified short and medium term priorities are presented in Section Five and the required sector management structure and institutional arrangements are outlined in Section Six. A budgeted and sequenced implementation program is presented in in Section Seven.

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<sup>3</sup> The most recent and comprehensive is the Tonga Tourism Sector Diagnostic (2010) undertaken by IFC

## 2. Tourism Sector Framework

A high level Tourism Sector Framework is presented in this Section; the Framework has been developed following extensive consultation with stakeholders. The Framework establishes the strategic vision for the sector, together with the goals and objectives of the Tourism Roadmap.

### Tourism Sector Vision

The Vision for the Tourism Sector in Tonga is:

**Tourism drives Tonga’s future sustainable economic growth, optimising wealth and prosperity for all Tongans**

### Focal Areas and Strategic Goals

Five interrelated focal areas form the basis for the Tourism Roadmap. High level goals have been established for each focal area and the Roadmap recommendations have been framed around these five focal areas as follows:



## Objectives for the Tourism Sector

The objectives for the tourism sector are that by 2020 tourism in Tonga will:

- Be the main source of income for Tongans generating over 100 Million TOP for the economy
- Be a growing sector representing over 30 percent of national GDP
- Increase the number of those employed in the workforce through tourism to 4,000 employment in Tonga
- Increase the total number of arrivals to 80,000 per annum (equating to 6 percent growth pa)
- Double the size of the holiday market to 32,000 arrivals (equating to 7.2 percent growth pa)
- Increase the number of cruise ship visitors to 30,000 passengers (equating to 7.0 percent growth pa)
- Be underpinning the operation of international and domestic aviation services seven days a week
- Have reduced the seasonal impacts of tourism so that approximately 45 percent of all visitor arrivals take place in the first six months of the year
- Have increased the market share of Tonga to 4 percent of regional (South Pacific) tourism arrivals
- Support the formalisation and sustainable management of an additional five marine and land based protected areas
- Support the restoration and sustainable management of ten heritage sites throughout Tonga

## Development Opportunities

The TSDf identifies that the Government will support a conducive enabling environment which will support investment and growth; *'Government will continue to encourage investment in tourism by addressing issues and impediments to the industry as identified by the Ministry of Tourism and other stakeholders.'*

The TSDf also clearly recognises the development context for the tourism sector in Tonga and defines the implications in terms of the scale and development focus in relation to accommodation investment. The TSDf indicates that *'Recognising that Tonga is a relatively high cost destination the focus will be on high-yield value added tourism with clear links to the domestic economy, rather than mass tourism. This means that substantial new investment in high-end resorts and the upgrading of existing facilities will be needed'*

This approach is further reinforced by evidence from around Pacific region in relation to investment which has taken place in the tourism sector. A Report by IFC<sup>4</sup> on investment

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<sup>4</sup> Supply/Demand Gaps Analysis to Determine Tourism Investment Prospects in PNG, Samoa, Solomon Islands, Tonga and Vanuatu – IFC 2010

opportunities in the tourism sector in five Pacific countries indicates that growth in investment in the sector has primarily been driven by small and medium sized investments in the mid to high end resorts. Boutique small and medium sized resorts, generally ranging from twenty to fifty rooms offer a high level of economic impact and employment and lower social and environmental impacts.

Investment growth in the tourism sector in several Pacific countries has been characterised by the growth of the small to medium sized resort sector; most notably investment in small to medium sized resorts has underpinned the growth of the tourism sector in the Cook Islands and Vanuatu and has also made a significant contribution to growth of the holiday market in Samoa and Papua New Guinea. Fiji has a broader range of accommodation product, which is geared to a substantially larger volume of tourists; however small and medium sized resorts remain a substantial component within the Fijian tourism industry.

Development at this scale offers substantial advantages for Tonga including the following;

- The scale is compatible with the current market for tourism to Tonga, which is undeveloped and small scale rather than catering for ‘mass tourism’;
- The small the medium sized resorts are of a scale where investment can be more readily mobilised; the scale of investment required would be suitable for key target investor groups within the region, including domestic Tongan investment, Tongan ex-pat investors and international ‘lifestyle’ investors from Australia, New Zealand, Europe and the USA. These latter investors have been particularly important in increasing investments in tourism in Pacific neighbouring countries which have growing tourism sectors;
- Small and medium sized resorts generally have a lower level of environmental and social impact than larger scale resorts, yet can still offer high levels of employment and economic benefits;
- Small and medium sized resorts can offer ‘boutique’ services and positioning which supports Tonga’s points of differentiation including cultural tourism and soft adventure activities such as diving, fishing and whale watching;
- Experience from around the region indicates that are well conceived and professionally managed small and medium sized resorts can be economically viable investments which do not require direct government investment.

The development of the second homes market has also increased the scale and supply of tourism accommodation in selected countries (in Vanuatu and the Cook Islands in particular); prospects for the further development of this market in Tonga are worthy of further consideration as the environmental and cultural impact is generally low and the lead in time for development can be relatively short; strata titling of investment properties has also been utilised as key financing mechanism for development in some Pacific countries.

The tourism sector in Tonga suffers from a lack of scale which results in a low level of critical mass to support the required infrastructure investments, transport operations and other supporting services. The small scale of the sector also leads to limited availability of private

sector funds and brand presence, which leads to low market awareness. The lack of global hotel brands in the local market also limits consumer recognition and confidence.

The development of a substantial resort property managed by an international chain would have significant advantages for the tourism sector. Attracting such an investment will require a concerted effort to improve the current operating and investment climate however; a holistic commitment to implementation of the Tourism Roadmap will be required.

A balanced approach to the development of larger scale resort investments needs to be undertaken, particularly in the outer islands which have a small communities and a fragile environment. At every stage of the development process, communities must be adequately consulted and made aware of the implications of decisions on whether to support proposed large scale development.

Opportunities also exist for the further development of soft adventure products in Tonga, particularly marine based and cultural tourism products. These products are considered to be key in underpinning the future development of the tourism sector as they provide a strong point of differentiation and are generally relatively high yielding, without being demanding in terms of supporting infrastructure.

A summary of the identified tourism investment opportunities for Tonga is set out in Annex A and potential locations for the identified opportunities are identified in Annex B.

### **3. Tourism Policy and Fiscal Context**

The Tonga Strategic Development Framework (2100 – 2014) outlines the Government's Vision, Objectives, Enabling Themes and Strategies for the country. The TSDF Vision is *'To develop and promote a just, equitable and progressive society in which the people of Tonga enjoy good health, peace, harmony and prosperity, in meeting their aspirations in life'*. The tourism sector has the potential to be a major contributor to the achievement of this Vision by enhancing prosperity.

The outcomes from the Tourism Roadmap will contribute to the enabling themes and strategies outlined in the TSDF. The major TSDF themes are:

- Continuing progress to a more efficient and effective government by focussing on its core functions; improving coordination, service delivery and optimising use of resources.
- Improving the macroeconomic environment and fiscal management, including effective revenue services to ensure a level playing field and those services to the people can be appropriately funded.

- Ensuring Public Enterprises are sustainable and accountable and where appropriate moved into the private sector
- Ensuring a more coordinated whole of government approach in Tonga’s partnership with development partners

Strategy Six (A) of the TSDF relates to Improving output of the productive sectors – Tourism. The TSDF indicates *‘Government consider tourism a key sector for private sector investment contributing to future growth. Investment in tourism will provide new livelihood opportunities complementing those available in agriculture and fisheries in rural areas; it has the potential to generate additional employment opportunities and increase foreign exchange.*

*Government will continue to encourage investment in tourism by addressing issues and impediments to the industry as identified by the Ministry of Tourism and other stakeholders. Recognising that Tonga is a relatively high cost destination the focus will be on high-yield value added tourism with clear links to the domestic economy, rather than mass tourism. This means that substantial new investment in high-end resorts and the upgrading of existing facilities will be needed.*

This overarching strategy has been further developed through the Tourism Sector Roadmap.

In addition the key Strategy of *‘Realising the Potential of the Tourism Sector’* developed at the recent Economic Dialogue on Growing Our Economy (2102), provides specific strategies and actions which have been further developed and articulated within the Tourism Roadmap.

The development and implementation of the Tourism Roadmap takes place against the background of the impact of the GFC, a decline in the productive sectors and overseas exports, as well as a reduction in overseas remittances to Tonga. Tourism demand has also been stagnating (Section Four below).

Priority development activities identified within this Roadmap therefore aim to be realistic, both within the market context and to reflect the Government’s current fiscal position; currently Government debt is equivalent to approximately 45 percent of GDP and the Government is committed to prudent fiscal measures and debt strategies to reduce this level of borrowing. This clearly limits the options available in terms of a large injection of public funds to facilitate tourism and infrastructure development and the Roadmap recommendations are cognizant of this.

## **4. Tourism Market Context**

### **The Economic Value of Tourism**

Whilst tourism in Tonga is not as developed as some of the Pacific neighboring countries, the sector is already a major contributor to the economy. Tourism expenditure in Tonga was estimated to be worth approximately 56 million TOP in 2011<sup>5</sup>; this equates to approximately 1,200 TOP per visitor.

Tourism is the only sector which has not declined significantly in recent years; estimates by the reserve Bank of Tonga indicate that agricultural exports have fallen by 30 percent since 2006, fish and marine exports fell by 62 percent over the same period and total exports fell from 30 million TOP to 10 million TOP between September 2006 and September 2011. Private remittances have fallen by 80 million TOP since 2008.

Total expenditure is estimated to be worth approximately 15 percent of Gross Domestic Product and employment within the sector is estimated at approximately 2,000 full and part time jobs. Tourism is by far the biggest export industry in Tonga; the Foreign Exchange value of tourism is estimated to be approximately five times as much as agriculture and fisheries combined.

Tourism offers the most immediate potential for generating economic growth and income, but the level of growth for the tourism sector needs to be accelerated, as the growth rate has been low compared to many other pacific countries.

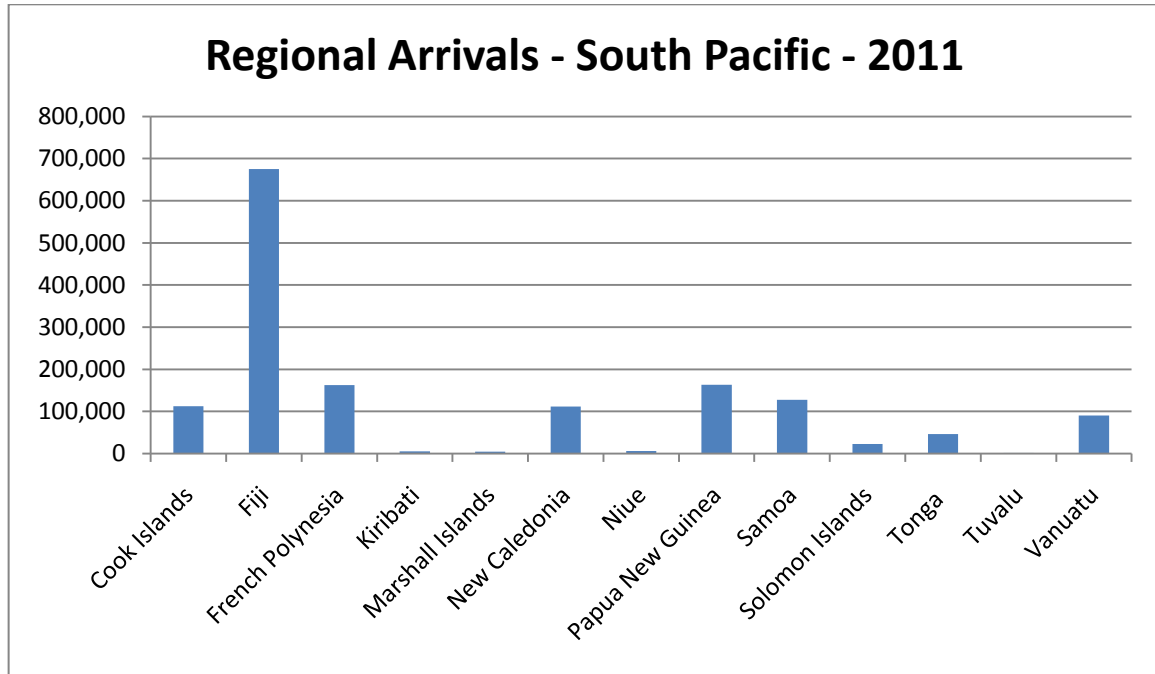
### **The Current Tourism Market**

Tonga has underperformed in terms of visitor growth in the last 15 years. Tonga's market share of South Pacific arrivals has fallen from 3.5 percent (in 1994) to less than 3 percent in 2011. Tonga's growth rate in terms of visitor arrivals in the last five years has averaged only 1.2 percent per annum, which is less than half the regional average.

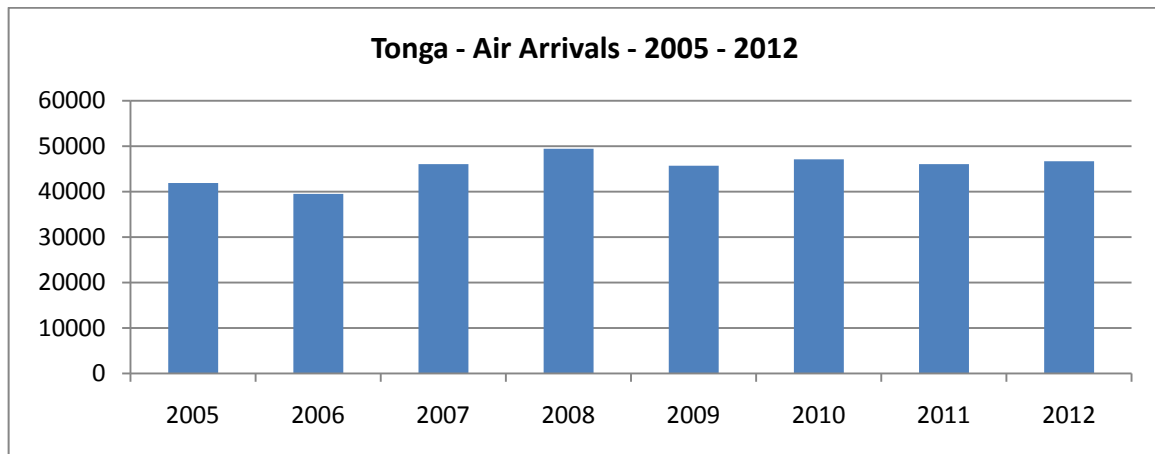
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<sup>5</sup> Based Ministry of Tourism estimates – Summary of Tourism Arrivals Report - 2010

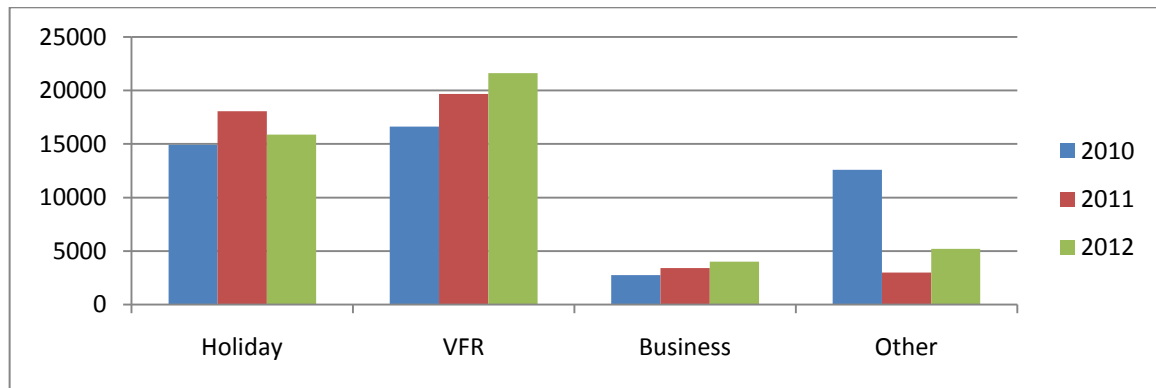




The level of visitor arrivals to Tonga has remained relatively static for the last eight years; arrivals peaked at just below 50,000 in 2008, but have shown a gradual decline in the last three years.



The VFR market is still the major market segment in terms of visitation and there has been slight growth in this market. However this market is difficult to influence and grow substantially, as it is primarily influenced by family and social commitments and the level of discretionary income available to family and friends overseas. The graph below indicates visitation by purpose of visit for the last three years.



The main driver of tourism growth for the majority of Pacific countries has been an increase in holiday visitors. Those Pacific countries achieving above average growth rates and an increase in tourism have focused their efforts on the development of the holiday market.

The holiday market to Tonga has been weak and has actually declined in size; in 2000 Tonga received 17,500 holiday arrivals which was higher than the estimated number for 2012 (approx 16,000).

The composition of holiday visitors to Tonga has changed, reflecting a trend across the South Pacific tourism market. Holiday visitors from Australia and New Zealand now account for around two thirds of all holiday visitors; in 1994 these markets only accounted for around one third of the market. This reflects a regional trend which has seen a decline in visitor numbers from the USA, Europe and Japan due to changing outbound travel patterns driven by a downturn in economic conditions and heightened security concerns.

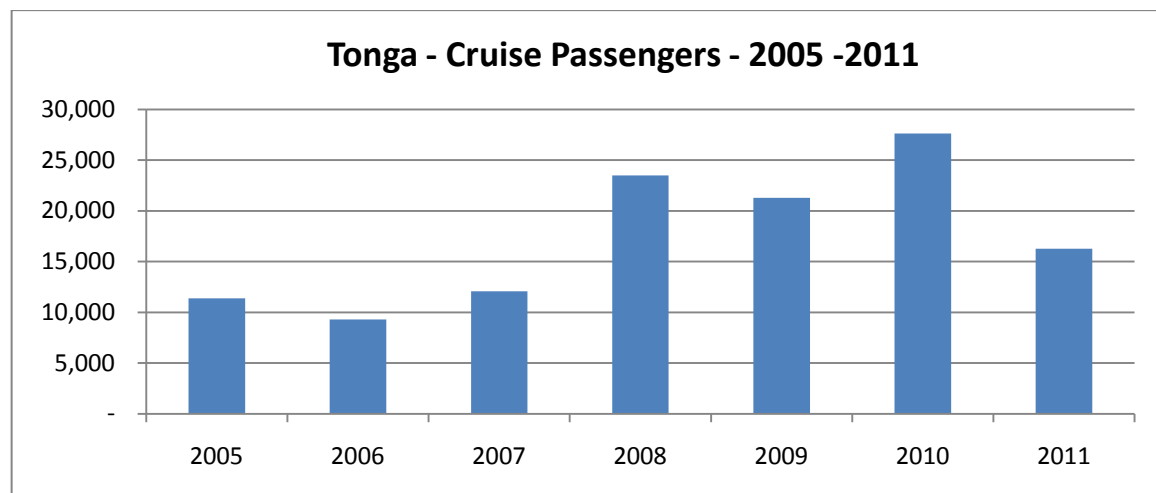


The distribution and patterns of holiday visitors have also changed within Tonga; visitation to ‘Eua for example has increased from only a few hundred 10 years ago, to around two thousand in 2011. Whale watching and other marine activities have become the major ‘drawcards’ for holiday visitors. These soft adventure experiences, combined with the Tongan cultural experience, combine to provide a strong product offering.

Visitation is also highly seasonal; the major period for holiday visitors is June to October, partly reflecting the whale watching season, whilst VFR is strongest during New Zealand and Australian school holiday periods, particularly in December and January.

The IVS indicates that 44 percent of visitors spend between seven to ten days in Tonga and that the median age of visitors in 2012 was 42.

The cruise market to Tonga is also relatively undeveloped compared to some Pacific destinations. Passenger numbers have fluctuated between twelve and twenty eight thousand in the last five years. Some growth was evident in 2008 and 2010, but the market declined in 2011. Tonga is unable to compete on equal terms with cruise destinations such as Vanuatu (which receives around 220,000 cruise ship passengers in 2012) due to its geographic location (away from the major markets on New Zealand and Australia) and the importance of logistics in planning cruise ship itineraries.



There are approximately 2,000 seats a week to Tonga on three airlines; Air New Zealand has the majority of these and provides services to Auckland, whilst Pacific Blue services Sydney and Auckland; Air Pacific services Nadi and Suva.

There are approximately 85 accommodation businesses in Tonga who provide approximately 957 rooms, equating to an average property size of around 11 rooms<sup>6</sup>. The majority of properties are on Tongatapu which accounts for 647 rooms or approximately two thirds of the existing supply. Vava'u has approximately 210 rooms shared among 22 operators, giving an average size of almost ten rooms.

Some growth has taken place in terms of the supply of accommodation; the estimated annual growth rate since 1995 was 7 percent per annum, which is almost twice the rate of arrivals growth. Limited growth has been recorded at the international four star level

<sup>6</sup> Supply/Demand Gaps Analysis to determine Tourism Investment Prospects in Five Pacific Countries – TRIP Consultants for IFC - 2010

(Scenic Hotels manages the Royal Tongan Hotel which is four star level) and much of the new stock developed in the last ten years has been on Nukualofa.

Much of the accommodation on Tonga is in the form of local guesthouses and small properties, which cater for a mix of visiting friends and relatives and overseas holiday makers. Many of the smaller guesthouses and properties run at fairly low occupancy rates and have limited market distribution. The majority of properties (approximately sixty percent) are locally owned.

The largest property is the International Dateline Hotel in Nukualofa which has 125 rooms and is owned by the Government. The Dateline requires substantial refurbishment and operates at a low level of occupancy, mainly catering a limited corporate market and conference business, as well as a few VFRs.

The largest hotel on Vava'u is Puataukanave International Hotel, which has only 36 rooms and caters for a mix of business and leisure clients. The second largest property is the Tongan Beach Resort which has only 12 rooms.

Ha'apai has a total of 83 rooms of which the two largest properties are Lindsay Guest House and Sandy Beach Resort which have 12 rooms each. Most of the other accommodation is in local guesthouses. Lindsay Guest House aims at the lower end of the tourist market and caters for a mix of tourists, visiting friends and relatives and business visitors. Sandy Beach is aimed primarily at the holiday market and is a mid level boutique resort, popular with divers.

'Eua has three (full time) operators who provide a total of 17 rooms; the most popular are reported to be Hideaway Resort and Taina's Guest House, who cater primarily for the holiday visitor at the lower end of the market, including backpackers.

The IFC Tourism Sector Diagnostic for Tonga indicates that a lack of an international branded product of significant size inhibits distribution by wholesalers. The Diagnostic Travel Trade Survey indicated that there is a lack of suitable accommodation and that there is a lack of tour product on all islands, as well as a quality inbound business centered hotel in Tongatapu. The Industry Survey indicated that tour products and travelling around Tonga was difficult to organize, supporting the finding that there is a need for a quality inbound operation.

Industry sources indicate that there is a shortage of high quality resort accommodation and short and long term accommodation for business travelers as well as a shortage of good quality backpackers accommodation.

The average occupancy for all accommodation is relatively low at an estimated forty five percent (Tonga Tourism Association estimate), indicating substantial underutilization of existing properties.

An estimated 437 rooms are rated at three to four and a half star standard by the Tonga Mark program; two thirds of these rooms are on Tongatapu and twenty seven percent are on Vava'u, with the remainder (5 percent) are on Ha'apai.

Approximately three quarters of all rooms are owned by Tongans and one quarter are owned by international investors; Vava'u has the highest concentration of international investment at around 50 percent, compared with about 15 percent for Tongatapu and twenty five percent for Ha'apai<sup>7</sup>.

### **Tourism Growth Prospects**

Globally outbound tourism is forecast to grow by 4.1 percent per annum until 2020 (UNWTO), although in the short term (next two to three years) long haul travel may grow at a slower rate. UNWTO forecasts that Europe will remain the World's leading outbound generator through to 2020, accounting for almost half of all tourist arrivals worldwide. In 2012 (January to August) global tourism increased by approximately 4 percent (UNWTO) with the Asia Pacific region growing at a higher rate of 7 percent.

Australia and New Zealand account for almost 70 percent of arrivals to Tonga, with the USA accounting for a further 13 percent.

The Australian economy continues to grow on the basis of expansion in the mining sector and the Australian Dollar has strengthened significantly against major currencies. The domestic economy is expected to grow annually by 2 to 3 per cent in the short term. Increased seat capacity and competition in the airline sector have also led to a high level of discounting of international airfares. These factors combined will continue to lead to increased outbound holiday travel in the short term. Australian overseas spending increased by approximately 8 percent in 2011 to AU\$ 95 billion. Growth prospects in the medium term from this market are strong.

The economic performance of New Zealand is forecast to remain positive over the next ten years. The real GDP is forecast to increase annually by 2.3 per cent between 2011 and 2020. Outbound tourism is forecast to increase by 1.8 per cent per annum until 2015. In 2012 (YTD September) international departures from New Zealand are up by 5.4 percent, stimulated by increased capacity and frequency to Asia and Australia and a stronger New Zealand dollar. Growth prospects from New Zealand remain positive in the medium term,

Any growth from the secondary long haul markets of US, Europe and Asia appears to be less certain. Europe and the US continue to struggle to recover from the GFC effects. Economic recovery in Europe is predicted to be long term whilst the US economy appears to be slowly recovering. The Japanese economy shows little sign of improving and has suffered from the double blow of natural disasters and the GFC. China is exhibiting substantial growth in outbound tourism, but there is little evidence of travel patterns extending to the South

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<sup>7</sup> Tonga Tourism Association presentation 2012

Pacific, due to lack of awareness, poor travel connections and limited product appeal. The lack of direct flight connections is a particular constraint for this market.

## 5. Tourism Roadmap - Key Strategies and Actions

### Introduction

A number of key constraints which impede the tourism sector have been identified through the planning process underpinning the Roadmap. Many tourism sector constraints have been reasonably well documented in the past, however, for the first time, the TTSR provides a consolidated sector framework, supported by a costed and prioritized implementation program.

Five interrelated focal areas form the basis of the TTSR strategic analysis and prioritized implementation framework as follows:



This section of the Roadmap highlights the key strategic actions which are required to overcome the identified sector constraints and achieve the Roadmap objectives and goals.

Limited human resource and financial constraints determine that a prioritized and sequenced approach is required to the implementation of the actions identified. This is further defined and documented in Section Seven (Implementation Program).

## **MARKETING THE DESTINATION**

### *Increase Awareness of Tonga and demand for its tourism products in priority markets*

Destinational marketing is a key component of tourism sector development as it can create demand for tourism products and support business sustainability and investment, which in turn will lead to growth of the sector. In order to compete it is critical that destinational marketing is well resourced, efficiently managed and effectively delivered in the market place. Achieving this will result in increased market exposure and increased demand for tourism products which in turn will provide a key platform for future sector development.

Tonga has a lower profile in its major source markets than other regional competitors; this is supported by the IFC Trade Survey and recent independent research conducted in Australia and New Zealand. Destination marketing for Tonga has in recent years been ad-hoc and limited in reach due to limited marketing funds, a low level of capacity within the government marketing arm (previously the Tonga Visitors Bureau) and lack of consensus between the industry associations on the best approach. In addition the small scale of the sector means that Tonga has very few operators who have the resources required to promote Tonga as a destination overseas.

The establishment of the new Tonga Tourism Authority ('the Authority') is a key component in developing more effective destinational marketing; funding and expertise need to be provided to the Authority to ensure that a clear marketing strategy is developed and implemented for the destination and that consistent and effective annual marketing programs are delivered; the Government needs to drive this process through the Authority in partnership with the industry and donors. The effectiveness of the strategy and results from individual marketing activities needs to be constantly monitored and reported on by the Authority. Funding for the Authority and clear strategic programs and outputs should be formalised through a service agreement with MCTL.

Other Pacific destinations such as Vanuatu, the Cook Islands and Samoa, maintain a relatively high market presence by combining the resources of the public and private sector into cooperative marketing opportunities, focussing on limited priority markets, recognising capacity limitations and recruiting suitable external expertise where required and focussing on results. Tonga needs to adopt this approach to destinational marketing through an adequately funded program managed and monitored by the Authority.

Finalising the establishment of the Authority and providing funds for effective destination marketing activities in the key source markets of Australia and New Zealand is of the highest priority. Without this market presence the number of tourists visiting Tonga will continue to stagnate. Substantial capacity building will be required once the Authority is operational and overseas partner assistance should be sought to support this.

Seasonality remains a key issue which impacts upon the demand for tourism products. Currently the low season is effectively from February to May, (these four months account for only 24 percent of annual arrivals). Approximately 30 – 50 percent of peak season staff are laid off in the low season in Vava'u, Ha'apai and 'Eua (TTNA - 2009).

Seasonality in Tonga is caused by a number of issues including;

- the timing of the wet season and possibilities of cyclone occurrence;
- the focus of the VFR market on school holiday periods and in particularly Christmas/New Year;
- the importance of the whale watching market and its seasonal nature

Whilst it is difficult to overcome seasonality, strategies need to be developed to increase demand during the low and shoulder seasons; suitable strategies could include the development of sports and special events and focussing on markets which may complement the current market seasonality, such as conferences, church based and schools/youth tourism, ecotourism activities and cultural events.

Regional trends show that the short haul markets represent the greatest market opportunities for Tonga in the short to medium term. The need for building business in the shoulder/low season is seen to be vital to business profitability and there is recognition that segments which can be stimulated outside of the 'high' season need to be actively targeted; these may include sports tourism, conferences/meetings, weddings and activity based segments such as diving and fishing.

Efforts to develop the Chinese market are currently seen by industry as providing a low return on expenditure and a poor use of scarce marketing resources. The Chinese market is considered to have low potential currently in Tonga by the majority of operators, due to a lack of suitable product and transport barriers; the lack of direct connections is a major barrier, although some higher yielding niche markets such as diving and fishing may have potential in the longer term.

The requirement for ongoing and targeted destination marketing campaigns is seen by most operators, to be the main priority by the sector. There is a strong view that the Government needs to quickly establish the Tonga Tourism Authority and resource destination marketing activities to ensure Tonga competes with other Pacific countries in the short haul markets as a priority. Industry strongly supports the view that substantial grant funding from Government on a scale comparable with other Pacific destinations, needs to underpin destination marketing.



There is a strong view from industry that substantial marketing support for the sector needs to be immediately initiated as many businesses are under stress and anticipate a poor 'season' due to limited destination marketing and market uncertainty caused by the transition to a new domestic air services provider. The suspension of NZ Government support for marketing is seen as a major drawback for the industry. The Government has currently responded to this need in the short term, but consistent funding will be required to build market share and growth.

A useful measure in establishing destination marketing budget for the Authority is to consider the budgets and spend levels of competitor destinations. Whilst NTO budget figures do not provide the whole picture in relation to destination marketing spend, (as the private sector from both the source market and destination can make substantial marketing contributions), it is still useful to benchmark NTO expenditure levels against visitor arrivals as a measure of efficiency and to indicate the level of budget required to compete in the marketplace. An analysis of a number of countries in the Pacific (Cook Islands, Fiji, Samoa and Vanuatu) indicates that the average NTO marketing expenditure per visitor arrival, ranges from between thirty to fifty TOP (per arrival), with the majority budgeting at the upper end of this range<sup>8</sup>.

If Tonga wishes to compete in key source markets with its primary competitors, then destination marketing budgets have to be established accordingly. The implication is therefore that if Tonga is targeting approximately 63,000 arrivals in five years time (as indicated under the Roadmap goals), then an appropriate budget for destination marketing activities would be approximately 2.5 million TOP per annum; this would not include administrative costs, or any of the other programs being implemented by the Authority.

## **MARKETING THE DESTINATION - KEY RECOMMENDATIONS**

### ***Short Term Priorities***

1. Appropriate a Budget for the Tonga Tourism Authority adequate for an effective destination marketing program to be undertaken in for the remainder of 2013
2. Appoint an experienced General Manager - Section 11 of the Act
3. Develop and implement a short term tourism marketing stimulus program for immediate delivery (second half of 2013) in the key short haul markets
4. Develop a medium term Destination Marketing Strategy and Business Plan for the Authority, which incorporates a costed Three Year Destination Marketing Plan and Annual Activity Programs. Including:
  - a. Destination marketing program
  - b. Overseas and visitor market intelligence

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<sup>8</sup> In addition to NTO marketing expenditure several countries either directly or indirectly subsidize the cost of international air services to the country – most notably the Cook Islands

- c. Quality standards program – Tonga Mark
5. Provide recurrent annual grant funding (estimated at approximately TOP 3.5 million per annum), to implement the Business Plan.
6. Further develop and deliver programs for the Authority as defined within the Business Plan and in line with the institutional arrangements set out in this Roadmap
7. Build the delivery and staff capacity of the Authority through complementary donor support including long and short term technical assistance (where required).
8. Develop and implement a communications program and ensure close industry liaison on key activities.

***Medium Term Priorities***

1. Implement the Medium Term Three Year Destinal Marketing Plan and Annual Activity Programs.
2. Monitor and evaluate marketing activity effectiveness through an independent Annual Marketing review program – adjust activities accordingly.
3. Regularly report results to the Ministry and to industry, including through an Annual Tourism Marketing Forum.

**BUSINESS ENABLING ENVIRONMENT**

*To provide an enabling environment to support growth of tourism related business*

Improvements to the business enabling environment will be vital to the future growth of tourism in Tonga, as existing business, re-investment and new investment can ultimately only be self-sustaining if profitable business opportunities can be realised by the private sector. Changes to the enabling environment in Tonga should be a priority for the Government as many changes will have a positive impact on the fiscal position of the country, as well as broader economic benefits.

The IFC Diagnostic and subsequent studies and reports<sup>9</sup> have identified a number of licensing processes and regulations which inhibited investment. In the last eighteen months, the government has made considerable progress in addressing these licencing issues through the introduction of single business licenses and five year foreign investment residency permits. However Government needs to continue to review and streamline licencing and permit processes to facilitate investment.

The IFC Diagnostic Study also identifies that the restrictions imposed under the Sunday Observance Act are a significant constraint to destinal attractiveness and the industry

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<sup>9</sup> Completing Reform to Promote Growth: Paul Holden and Chris Russell – Asian Development Bank 2011

profitability<sup>10</sup>. Research indicates that consumers want convenience and the availability of services and transport on weekends (IFC Industry Survey 2010). The tourism industry in Tonga operates at a significant disadvantage to other Pacific countries due to the limitations on Sunday trading and associated travel restriction.

A study for TAL<sup>11</sup> indicates that a partial relaxation of the current restrictions to allow international and domestic aircraft movements on Sunday afternoon, cruise ship calls, tours and the opening of restaurants, would result in an estimated additional TOP 100 million injection into the broader economy, resulting in an estimated 3,000 additional full time jobs being created. These estimates do not include the positive impact of additional cruise ship visits, which could create a minimum of an extra TOP 1.5 million injection per annum. Even partial relaxation of the definition of 'essential services' under the Act to allow Sunday afternoon international and domestic flights, land transport and restaurant opening as 'essential services' would have a substantial effect on the economy.

In addition the churches could also benefit from the increased mobility of tourists on Sunday. The broadening of the definition of 'essential services' to cover air transport, cruise ships, tours and restaurants, would also allow more tourists and cruise ship passengers, to join church services, make donations to church activities and enjoy religious activities with Tongan families.

Another regulation which significantly impacts upon the tourism sector is the requirement under the Births, Deaths and Marriages Act (1988) for individuals getting married to be resident in Tonga for a period of not less than 16 months, for any marriage to legally take place. This requirement acts as a significant constraint on the overseas weddings market, which is an important source of tourism and income in countries such as Fiji, Samoa and Vanuatu. Whilst some moves have been made to revise the current legislation, the required amendments need to be enacted urgently to open up this market, which can be an important source of revenue for tourism.

The identified economic, legislative and procedural changes outlined above will clearly not be acceptable to all parties, on religious and social grounds. However if growth in the sector is to be achieved, addressing these underlying enabling environment and state ownership issues will be critical to success.

Changes can be gradual and managed to minimise impacts; for example international and domestic air services could operate on Sunday afternoon, as could restaurants associated with accommodation operations. There is a need for the Government and people of Tonga to decide on the level of development expected from tourism in terms of employment,

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<sup>10</sup> IFC Tonga Tourism Impediments Diagnostic Report – Local Industry and Overseas Travel Trade Surveys 2010

<sup>11</sup> A Report On Additional Opportunities On extended Operational Hours for Tonga Airports – Dr S Taumoepeau - 2011

income and foreign exchange and their willingness to accept social change to accommodate this.

State Owned Enterprises (SOEs) constitute approximately 30 percent of total fixed assets in Tonga; SOEs have been rationalised under the Government's reform program, but they still act to create uncertainty and distort the market. The Government's ownership of the Dateline Hotel is a longstanding issue which needs to be urgently resolved; the Hotel is a deteriorating asset, which requires substantial investment and the private sector is better placed to manage and invest in hotels; current Government ownership potentially inhibits private sector investment and drains scarce public resources. The Government should divest itself of the ownership of the Dateline through a transparent tender process as soon as possible, to a credible investor.

Consistency of business regulation enforcement is vital to ensure a 'level playing field' for investors. This is particularly so for foreign investors who are subject to greater regulation and control through visas and foreign investment approvals. Businesses are also subject to a range of other regulations including in areas such as liquor licencing, health and safety regulations, building approvals and accommodation quality standards; there is a view by some investors, that their businesses are subject to a higher level of inspection, enforcement and compliance than Tongan owned businesses and this acts to impede foreign investment. Enforcement agencies must be consistent and transparent in the application of regulations.

Additional efforts also need to be made to create a more conducive business and investment environment through regulatory and process reform; legislation is required to fill in gaps in the commercial law framework, the processes for tax refunds needs to be more efficient, tax payment offsets should be introduced to facilitate investment and key laws need to be introduced in relation to bankruptcy, trustees, electronic transactions, contracting and arbitration. In addition the transition to fully electronic company registry needs to be completed.

The Department of Immigration and Customs services provide vital support services for the tourism sector and their staff operate at the 'front line' of the visitor arrivals process and can have a high impact on the initial visitor impressions. Customer service skills should be upgraded through 'meet and greet' training.

Both the yachting and the super yacht segments are important markets for Tonga. The latter segment in particular offers a high yielding marine based segment which can bring significant economic benefits to Tonga. Greater efforts need to be made to further support both of these important marine based segments. The smooth and efficient processing of entry and exit requirements for super yacht visitors and crew in particular, is an essential service and one which needs to be improved. A dedicated point of contact within Immigration and Customs to service super yachts would initially assist with processing of tourists and crew associated with this market.

The cost of key business inputs is high in Tonga and this impedes profitability and acts as a disincentive to invest. Linkages to basic local inputs such as primary produce are weak and this leads to a high level of leakage due to import requirements. Whilst this is not unusual in small island economies, efforts need to be made to encourage greater consistency and quality in the supply of local goods and services, particularly fresh produce such as meat, fish and vegetables, as well as reduce the cost of key business inputs relating to energy and transport.

Energy costs in particular are high in Tonga. This issue is being addressed through the TERM process and is further discussed under the focal area 'Infrastructure and Access'.

A Tourism Economic Linkages Study<sup>12</sup> undertaken in 2009 indicates that substantial opportunities exist to increase the supply and use of local vegetables and fish for use by the tourism sector. Data limitations restrict a detailed analysis of the leakage factor associated with the tourism sector, but a leakage of 50 percent would not be unusual in a small island economy with high level of imports. A concerted effort needs to be made by the Ministry of Agriculture to support suppliers to expand the range and availability of primary products suitable for use by tourism operators to substitute for imports. The use of local organic produce could provide a point of differentiation for Tonga tourism and should also be encouraged.

## **BUSINESS ENABLING ENVIRONMENT - KEY RECOMMENDATIONS**

### ***Short Term Priorities***

1. Amend the residency requirements under the Births Deaths and Marriages Act (1988) to facilitate local weddings for overseas visitors.
2. Complete the tender process and divest government ownership in the Dateline Hotel to a reputable private sector hotel operator/investor.
3. Continue with implementation of TERM to reduce energy input costs.
4. Establish a fixed timeframe for tax refunds and review taxation processes to ensure timeframes are not exceeded; review performance annually and publish findings.
5. Finalise the transition to a fully electronic company registry.
6. Review tax payments offsets to facilitate investment.
7. Establish a central point of contact for yacht handling in the Department of Customs and Immigration to facilitate efficient processing.

### ***Medium Term Priorities***

1. Expand the 'essential services' classification under the Sunday Observance Act to include domestic and international air services, land transport and restaurants to facilitate operations after midday on Sunday.

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<sup>12</sup> Tourism Economic Linkages Study – 2009 – Professor Simon Milne for the NZ Aid Programme

2. Conduct a review of the primary produce needs of the tourism and hospitality operators and develop agricultural extension services to support expansion of production.
3. Strengthen the legal framework to support business including:
  - a. Bankruptcy legislation
  - b. Legislation on Trustees
  - c. Electronic Transactions Legislation
  - d. Law relating to Trustees
  - e. Contracting legislation
  - f. Arbitration legislation

### **TOURISM INVESTMENT FACILITATION**

*To facilitate tourism investment that maximises the contribution to Tonga’s economic, social and cultural wellbeing*

Both international and domestic Investment in new and existing tourism products will be essential if tourism is to grow in Tonga. Currently the investment climate in Tonga is less favourable than in many other competing destinations due to the combination of factors outlined in this Roadmap. In order to create a more attractive investment climate a holistic approach needs to be taken to the development of tourism and the implementation of the Roadmap. Specifically, a number of actions directly relating to the investment process can be implemented and these are outlined in this section.

Tonga competes with other regional and destinations to attract tourism international investment; the global nature of investment requires that Tonga requires a stable and competitive investment environment if investment attraction is to be successful. Currently the lack of a formal and transparent system of tourism investment incentives detracts for the investment attractiveness of the destination.

The World Bank and the Department of Revenue are working together to undertake review of all investment incentives in Tonga; it is critical that competitive and attractive tourism incentives are developed for Tonga if the level of investment is to increase substantially. A range of investment incentives will be required to attract. The incentives developed should be at least comparable with competing destinations and targeted at the investment opportunities identified in Annexes A and B.

In summary a range of tourism investment incentives should be provided for accommodation developments under ‘major new investments’ and ‘small and medium sized investments’, as well as additional incentives aimed at development of key products in marine tourism, aviation and second homes; further provisions are made to encourage additional joint ventures to facilitate local Tongan equity partnerships. These are summarised below:

<b>Investment Category – Major</b>	<b>Minimum investment requirement TOP 5</b>
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	<b>mn (excluding land cost)</b>
<b>Tax Free Period</b>	A ten year tax holiday for capital investment of not less than TOP 5 mn
<b>Import Duty Exemption</b>	Import duty exemption on all capital goods which are not available locally
<b>Trading Loss Tax Offset</b>	Carry forward losses for up to 8 years in succession
<b>Accelerated Depreciation Allowance</b>	Twenty percent depreciation (not including land) can be written off within any 5 of 8 years
<b>Electricity generation</b>	Hotel electricity plant will be allowed to generate its own electricity and sell the excess to the electricity grid
<b>Investment Category – Small to Medium</b>	<b>Minimum investment requirement TOP 250,000 (excluding land cost)</b>
<b>Investment Tax Allowance</b>	An investment allowance of 55 percent of total capital expenditure can be offset against income from the tourism business, provided that there is no shift of tax revenue offshore  Allowance is applicable to renovations, refurbishments or extensions of existing accommodation businesses
	Allowance can only be written off against the income from the tourism business
<b>Trading Loss Tax Offset</b>	Carry forward losses for up to 8 years in succession
<b>Import Duty Concessions</b>	5 percent concessionary fiscal duty + GST (15.0%) on building materials, furnishing and fitting, equipment including front office equipment, room amenities, kitchen and dining room equipment and utensils which are not manufactured in Tonga  5 percent concessionary fiscal duty + GST (15.0%) on specialised water sports equipment (e.g. water jet-ski, water bike) and other similar goods which are not manufactured in Tonga  5 percent concessionary fiscal duty + GST (15.0%) on heavy plant and machinery for resort project development work provided such plant and machinery is re-exported after completion of the project
<b>Accelerated Depreciation Allowance</b>	Twenty percent depreciation (not including land) can be written off within any 5 of 8 years
<b>Electricity generation</b>	The business will be allowed to generate its own electricity and sell the excess to the electricity grid
<b>Marine Tourism Incentive</b>	Marine Vessel – Minimum Cost TOP 500

	thousand
	Tourist vessel investment allowance of 55 percent of capital expenditure in relation to vessel purchase cost can be offset against future income from the business.
	If allowance unutilised after 3 years, it may be set off against income of other marine vessels or income from other tourist activities carried on by the vessel owner
<b>Aviation Incentive</b>	<b>Minimum Investment requirement TOP 2 million</b>
<b>Import Duty and GST Exemption</b>	100 percent duty exemption on aviation fuel Aircraft investment allowance of 55 percent of capital expenditure in relation to purchase cost can be offset against future income from the business.
<b>Tourism Joint Venture Incentive</b>	<b>Minimum investment requirement TOP 5mn (excluding land cost)</b>
	Further 7 years of income tax exemption for hotel developers who have local Tongan equity partnership of 25 percent minimum
<b>Second Home Program</b>	<b>Minimum investment TOP 500,000 (excluding land cost)</b>
<i>Programme for citizens of other countries</i>	
<b>Investment Allowance</b>	An investment allowance of 55 percent of total capital expenditure can be offset against income from the income from short term holiday rentals (less than 2 months duration), provided that there is no shift of tax revenue offshore)
<b>Interest Income Exemption</b>	Exemption from tax on interest income if a minimum balance of TOP 200,000 is maintained throughout the entire stay in Tonga

Access to finance remains a constraint on investment for tourism businesses in Tonga; research by IFC indicated that approximately 50 percent of tourism related SMEs are seeking finance in Tonga; constraints to accessing finance include a lack of security and collateral, lack of capacity to service the loan and in some instances limited capacity to meet the banks application requirements. However, the lack of a credit bureau and bankruptcy law considerably increases the lending risk for banks and these should be priority issues to be addressed to facilitate greater lending. Removing current barriers to land use and transfer will also increase access to finance by increasing the potential collateral.

A key mechanism for reducing investment risk and mobilising investments in the tourism sector is through the use of strata titling. This form of project financing enables developers to diversify their funding base and has been utilised successfully in Australia and New Zealand as well as several Pacific destinations, including in Vanuatu and Fiji. Appropriate



legislation needs to be developed to develop an approvals process and appropriate regulations and licencing for strata titled developments as a matter of urgency, in order to facilitate investment through this financing mechanism.

Some investors in Tonga have in the past been subject unscrupulous and fraudulent practices in relation to land and property transactions. The licencing, bonding and regulation of real estate agencies also needs to be undertaken to protect investors from unscrupulous practices

Concerted efforts also need to be made to increase tourism value added by increasing linkages to primary production, handicrafts and heritage and cultural tourism products which involve local communities. Greater efforts are required to support the agricultural producers to meet the needs of tourism operators, to improve handicraft production to meet tourist expectations and export standards and to further develop heritage and cultural based tours and attractions, so that they can provide income for communities, in exchange for visitor services and maintenance. Extension services provided by the Ministry of Agriculture and the Ministry of Culture need to be further developed to create stronger linkages to primary and handicraft producers to improve product quality and market readiness of products required by tourism operators and visitors.

## **TOURISM INVESTMENT FACILITATION - KEY RECOMMENDATIONS**

### ***Short Term Priorities***

1. Formalise and introduce a system and process for application of the identified Tourism Investment Incentives outlined above.
2. Develop strata title legislation to facilitate investment and risk sharing for tourism developments.

### ***Medium Term Priorities***

1. Develop regulations relating to the licensing and bonding of real estate agents and the transactions relating to land and tourism investment opportunities.
2. Develop a targeted program of support though extension services to facilitate more targeted production of local primary production supplies and handicraft products to facilitate 'value added' through the increased use of local supplies in the tourism sector.

**PRODUCT AND WORKFORCE DEVELOPMENT AND INDUSTRY STANDARDS**

*To support the delivery of quality tourism products that reflect Tonga's unique environmental and cultural heritage*

**Product Development**

Much of the existing tourism product in Tonga is currently underutilised. Occupancy rates for many accommodation operators are low due to the small scale of the current market and the seasonal nature of existing demand. Tonga needs to build market demand and scale in order to underpin investment and industry growth. The key product development opportunities are identified in Annex A and these include:

- Individual Holiday Homes
- Guest house/backpackers hostels/fales
- Small/medium boutique resorts
- Medium to large resort with supporting conference and leisure facilities
- Heritage and environmentally based attractions
- Water based activities
- Special events – land and water based sports events, church activities
- Facilities to support yacht servicing and super yachts

Tonga is able to offer a range of accommodation products from simple guest houses to relatively high end boutique resorts. This is one of the destinations strengths. Outer island tourism products are relatively costly when the domestic transport component is taken into consideration. Higher yielding, niche markets, focussing on the natural and cultural attributes of the destination, are generally prepared to pay more for their experience and the outer island products in particular need to differentiate themselves based on their cultural and environmental attributes. .

Whilst developing a range of accommodation products is beneficial (as it encourages broad industry participation and benefits), there is a need to develop a number of 'flagship' properties to meet market demand from the major source markets, facilitate greater product distribution, strengthen the destinations' positioning in the marketplace and cater for the increased volume of tourists envisaged under this Roadmap. The development of a number of mid sized resorts and the attraction of internationally recognised brands will therefore be critical to the success of this Roadmap. The issues directly relating to this type of new investment are covered in the 'Tourism Investment Facilitation' section above.

At the same time strengthening and improving the existing accommodation products in Tonga is a key strategy to ensure that the existing products meet consumer needs and provide value for money. An integrated approach to product development is required to create quality products and support existing operators. This approach is illustrated and further outlined below under four key pillars



***Market Access and Product Distribution***

Operators require support with market access and product distribution at two levels; the first is through the implementation of the broader destination marketing strategy and the development of co-operative marketing opportunities (outlined in Marketing the Destination Section); the second level is direct operators assistance to support market access, with the major focus being on on-line visibility and distribution.

In order to support tourism operator development through enhanced on-line access and usage, an ongoing program of support needs to be developed as part of a broader Integrated Tourism Product Development Program ; the Program could also include e-marketing support, based on the current program being provided to tourism SMEs through the SPTO regional SME Internet Marketing Program; an ongoing program of e-marketing should be overseen by TBEC (as part of a broader Product Development Program, under contract to Tonga Tourism Authority) as this offers the advantage of integration with other business support services.

***Quality Standards***

The introduction of the Tonga Mark quality program was in direct response to the findings of the IFC Diagnostic, which identified that the absence of national tourism industry quality standards or an industry accreditation program had a negative impact on the overall visitor experience and in turn, Tonga’s reputation as a quality, value for money destination.

The Tonga Mark program has built on the existing accommodation standards to improve the visitor experience and quality of tourism products on offer. The Tonga Mark program has been applied to the accommodation sector and has established criteria and an accommodation grading system for operators; the future development of the program should include formalisation of the standards through regulations which would be linked to the business licencing process, in order to facilitate compliance.

In addition the sustainability of the Tonga Mark programme needs to be further developed so that in the it generates the revenue required to be self-sustaining, the in-country capacity exists to manage and monitor the scheme in the longer term and appropriate industry training is available to improve the quality of services on offer.

Plans exist to further develop the Tonga Mark program to cover other key areas of the tourism product including taxis, tours and handicrafts. Issues relating to the sustainability of the current accommodation based program should be addressed in the short term, although potential exists for further application in a range of areas if budgets allow.

### ***Training and Business Support Services***

Training for tourism businesses is covered below (under the Section – Human Resource Development); TBEC is well placed to deliver additional business training and business mentoring services.

TBEC is providing a valuable service to strengthen SME capacity in relation to business management and business sustainability; the BOSS scheme is a useful mechanism for providing business support services.

Scaling up TBEC business support and training activities would potentially have considerable benefits; business mentoring has particular relevance with many locally owned businesses requiring assistance with business management and marketing. Internet marketing capacity in particular is a critical requirement for tourism operators and assistance in this area needs to be further provided. The New Zealand Government funded Business Mentoring Program is particularly beneficial and efforts to increase this level of assistance should be further developed.

### ***Access to Finance***

Access to finance for new investment and for the upgrading of existing properties is an issue for tourism operators. Access to finance is constrained by a combination of limited collateral, high interest rates, low profitability and in some instances limited business and financial planning and marketing planning skills of operators. A study by IFC<sup>13</sup> indicates that 17 percent of tourism operators in Tonga consider access to finance to be a severe constraint on their business, although 65 percent indicated that they currently had a loan with the commercial banks. The major constraint identified by 55 percent businesses in the IFC study was a lack of customers, followed by access to finance (29 percent) and a lack of skilled labour (21 percent).

Some operators consider that investment in upgrading standards requires a subsidy from Government. Others recognise that ongoing business investment can only be supported in the longer term through viable and profitable business ventures, particularly where Government financing is severely constrained under the current fiscal position. The approach supported through the Roadmap in relation to increasing access to finance will be multi-dimensional and will include:

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<sup>13</sup> Market Study for Access to Finance for Tourism Related SMEs in Samoa, Tonga and Vanuatu – TRIP Consultants for IFC – January 2012

- Increasing the ability of tourism businesses to service loans by supporting market development through destination marketing
- Increasing the capacity to manage tourism businesses by providing business support services including mentoring, consultancy services and training in financial management and business planning
- Improving the lending environment and reducing risks for lenders by improving the commercial legislative framework in relation to bankruptcy laws, contracting and the establishment of a credit bureau
- Introducing a highly competitive range of tourism specific investment incentives
- Working with IFC and other donors to review the feasibility of supporting a subsidised loan facility for tourism operators to facilitate improvements to industry standards.

The Roadmap notes that both the Australian and New Zealand Governments currently provide funds (in their own country) for major tourism product development initiatives (through the Tourism Growth Partnership Fund in New Zealand and Tourism Regional Grants Program in Australia) as well as separate funding for implementation of the National Tourism Strategy. The fiscal position of the Government of Tonga currently precludes a similar approach of direct investment subsidy.

### **Other Product Development Issues**

Further product development can be used to support the extension of the high season and extend demand in several ways. Special events need to be further developed to support visitation from both the VFR and holiday markets. Activity based events have established themselves in several Pacific countries as a means of creating demand; events such as distance swimming, game fishing, sevens rugby (youth and 'golden oldies'), youth soccer and cricket tournaments and eco-challenges have all been introduced successfully into neighbouring countries. Church related events can also be further developed as they provide an opportunity to support the Christian culture of Tonga as well as generate increased visitation in the low and shoulder seasons. Scope for their further development of these types of special events needs to be assessed by the new Tourism Authority.

Many of Tonga's 'drawcard' attractions are environmentally and culturally based; key environmental drawcards include the beaches, the marine attractions, the blowholes, the national parks and cultural heritage sites including the Royal Tombs and Royal Palace. Often the attractions are poorly managed from a visitor perspective, subject to unsightly rubbish, poorly maintained, poorly signed and in some cases subject to ad-hoc entrance fees. If Tonga is to harness growth based on the competitive advantages around culture and environmental attractions, then the government has to take a much stronger line on enforcement of existing legislation in relation to environmental management, improve visitor safety and accessibility through site and access road maintenance, comprehensive guide training and improved signage. A program for the development and management of

key visitor attractions needs to be established, which leads to the ongoing improvement and product development of these attractions.

Directional and interpretive signage is a key component in upgrading the visitor experience related to visitor attractions; individual visitor attraction interpretive and directional signage needs to be upgraded as a priority. In the medium a series of 'round island' themed heritage and environmental trails need to be developed to better link attractions and promote visitation across a broader area.

In addition there is a need to facilitate a greater integration of the Tongan culture into the tourism sector; this is particularly in relation to visitor attractions, commercial opportunities for cultural based tour products and stronger linkages with associated key income generating areas, such as handicrafts. The development of 'a living Museum' in central Nukualofa, which integrates all of these aspects could potentially be a tourism drawcard, but all of the islands would benefit from improved display and quality of handicrafts and the development of cultural and heritage tourism products.

The Monarchy in Tonga provide a unique point of differentiation for Tonga. It would be beneficial to promote this feature and to utilise some of the key attractions of the Monarchy to develop support tourism development. For example consideration could be given to providing greater access to Monarchy sites, (as is the case in many other destinations with Royal Heritage); Tonga's Monarchy are an important icon for visitors and their participation in growing the sector should be encouraged, both as role models (for example in relation to national environmental awareness campaigns) and also in terms of promoting greater access to the Monarchy heritage sites and attractions. The Crown land holdings also provide substantial assets which offer opportunities for tourism development; the support of, and partnership with the Monarchy, will be important to support the future development of the sector.

The recent 'Heritage Site Management' Report prepared by the Institute for Business Research<sup>14</sup> identifies eight priority heritage sites due to their cultural significance and location. Following a detailed assessment the following priority cultural sites were identified for enhancement:

- Ha'amonga, Tongatapu Island
- Ene'io Beach walkway and lookout, Vava'u Island
- Li'angahu a Maui, 'Eua Island
- Lauua Lookout and Fort, 'Eua Island
- Velata Fortress, Lifuka Is, Ha'apai Group
- Hufangalupe, Tongatapu Island

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<sup>14</sup> Tonga Tourism Support Program - Heritage Site Management – Institute of Business Research – May 2012

In terms of visitor attractions the Report indicates that *the ‘Ha’amonga stands above all the other sites because of its high heritage significance, relatively strong visitor numbers and current suppliers to the site. It also has significant infrastructure. There is local willingness to engage in site development and management.’*

The Report also recommends the development of legislation to protect heritage sites and concludes that few if any of the sites are financially viable, so would require ongoing operational support from the Government of Tonga, plus micro-financing. The Report also concludes that for effective on-going management of cultural sites in Tonga a Heritage Area Management Committee should be established consisting of key stakeholders, such as cultural communities, village organisations, government departments, aid agencies and representatives from the tourism industry. The sites will not run successfully without local involvement, landowner willingness and a readiness to share heritage.

Land use planning controls and building regulations also need to be enforced and zoning controls used to protect tourism products. Development appears to be haphazard and without adequate control over land use zones and potentially conflicting land use types. The recent introduction of legislation relating to land use management and zoning will assist with better control, but more detailed tourism land use zones and site classification needs to be developed through a series of Provincial Tourism Plans which can then be integrated into the formal planning process.

Tongan culture also provides a key point of difference for the tourism sector. Cultural heritage sites are an important component of the tourism product, but generally such sites are poorly maintained and managed. The Draft National Cultural Policy<sup>15</sup> identifies the requirement to protect and develop Tonga’s cultural and natural heritage sites. The Policy identifies the need to develop National Cultural Legislation to include the protection, promotion and development of Tonga culture. Mechanisms need to be established to improve the cultural tourism sites and to ensure ongoing asset management and environmental protection of key sites.

Key land and marine based natural areas are major tourism assets which attract visitors and these require further identification and protection. The further development of Marine Protected Areas in particular is seen by the industry as being a critical component of supporting marine product development, particularly diving, in the future as well as existing asset protection. Designated land and marine based Protected Areas should also be incorporated into the Provincial Tourism Plans.

The protection of marine mammals (turtles and whales in particular) was seen as being important by the industry, as current harvesting practices (for turtles), promote a negative image for tourists interested in conservation. The use of mammal by-products (turtle shells etc) in handicraft items is also seen to have a negative impact on Tonga as a destination with strong environmental product. Enforcement of existing legislation and regulations in

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<sup>15</sup> Draft National Cultural Policy – Ministry of Education, Women’s Affairs and Culture - 2011

relation to environmental and protected species is vital to the future sustainability of the tourism sector.

The advent of natural disasters and the need for disaster risk management is closely related to climate change. Tourism operators require training and upskilling in disaster risk management and suitable strategies need to be integrated into the site and facility design components, as well as the on-going operational procedures through mitigation measures relating to emergency evacuation and guest information and briefing.

### **Tourism and Hospitality Workforce Planning and Training**

Tourism directly creates approximately 2,000 full time and part time jobs in Tonga<sup>16</sup>, with a further 2 – 300 created through the multiplier effect (for instance in handicrafts, retail, services, transport and food production). Approximately ten percent of those employed in the sector are expatriates who either own their own business or occupy senior positions. Most Tongan businesses are family owned and run and recruitment is often done through family connections.

An estimated three to four hundred employees leave and are replaced each year due to the seasonal nature of the industry in Vava'u, 'Eua and Ha'apai, low wages and limited growth and career paths in the industry. This places a high requirement on industry training and is an additional cost to business and the government. Each of these factors must be addressed in turn; marketing strategies can be put in place to even out seasonality, improved industry profitability and recognition of training and skills will increase the level of pay and greater awareness is needed within the community on the nature and benefits of tourism, as well as the opportunities it affords, as an employee, business owner, supplier of goods and services and resource owner.

The Draft National TVET Policy Framework 2013 – 2017 outlines a clear policy for improvements to TVET. However the Framework does not specifically identify tourism sector priorities or specific initiatives to address skills shortages and the tourism industry training needs.

Comprehensive workforce development requires the delivery of effective training at several levels, in a coordinated and sustained way. The majority of training in the sector in Tonga is carried out by the industry operators as on the job training. Being a relatively isolated destination, management and staff have little exposure to the industry outside of Tonga.

The TTNA identifies key areas of training need and skills shortages and makes many useful recommendations to upgrade training delivery targeted at the tourism sector; whilst a number of these recommendations have been implemented, particularly through the delivery of workplace training short courses and business advisory services through the

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<sup>16</sup> Tonga Tourism Training needs Analysis – TRC for NZ Aid Program - 2009



Tonga Business Enterprise Centre (TBEC), considerable work remains to be done to upgrade the standard of formal and vocational training and education as well as the teaching facilities at key training institutions such as ‘Ahopanilolo.

Supporting the earlier work undertaken under the TTNA, the Pacific Regional Tourism and Hospitality Human Resource Development Plan<sup>17</sup> (PRTHHRDP) identifies that there is an increase in demand for tourism and hospitality training and up skilling in Tonga. The Plan indicates that there is a need for both short and long term courses as follows:

<b>Course Duration</b>	<b>Training Content</b>
<b>Short Term Courses</b>	F&B, work ethics, water sports, guiding, handicraft merchandising, whale watch operations and marine tour guiding, website construction and social media management and cultural/traditional skills.
<b>Long term Courses</b>	Cookery, customer service and hotel management

The TTNA and the PRTHHRDP also identify that there is a lack of knowledge within the industry itself on staff training needs and what training opportunities are available, as well as limited management capacity to implement training in the workplace and monitor performance.

A key constraint identified within by the TTTNA and supported by the PRTHHRDP is the small pool of registered qualified workplace trainers to provide the skills required within industry, outdated resources and unserviceable or inadequate equipment, as well as the lack of accredited training.

Tonga is also disadvantaged compared to Fiji, Samoa and Vanuatu, by not having locally available training through APTC, which places a greater requirement on existing locally run technical training institutions, which are inadequately funded and lack capacity.

However some linkages exist which support delivery and linkages to overseas providers. For example, the National Centre for Vocational Studies (NCVS) offers Level Five tourism management courses (in collaboration with AIS St Helens in Auckland) which provides a pathway for school leavers and industry employees who aspire to make a career in the tourism industry. An increasing number of Level Five graduates continue into undergraduate degree programs in New Zealand, although retention rates within the Tongan tourism sector are unknown.

Efforts are also being made through the Tonga National Qualifications and Accreditation Board to recognize training in hospitality and tourism at the National Centre for Vocational Studies and at the ‘Ahopanilolo Technical Institute and the Unuaki-o-Tonga Royal Institute. Efforts to strengthen twinning arrangements to broaden recognition and the cross

<sup>17</sup> SPTO - Pacific Regional Tourism and Hospitality Human Resource Development Plan 2013

accreditation of qualifications with Australian and New Zealand based institutions, need to be continued.

## **PRODUCT AND WORKFORCE DEVELOPMENT AND INDUSTRY STANDARDS - KEY RECOMMENDATIONS**

### ***Short Term Priorities***

1. Design and implement an integrated support program for tourism operators (Integrated Tourism Product Development Program) with the following components:
  - a. Market Access and Product Distribution
  - b. Quality Standards
  - c. Training and Business Support Services
  - d. Access to Finance
2. Further embed the Tonga Mark Program through operator training and capacity building of the inspectorate and integrate into business licencing regulations.
3. Support access to finance through business enabling environment reform and further investigate the potential for donor supported loan subsidy to improve product quality.
4. Implement a program of directional and signage upgrades for key natural and heritage sites.
5. Further resource and expand TBECs role in workplace training delivery, business mentoring and on line resource access and business support services by appointing a Tourism Industry Coordinator.
6. Ensure all tourism and hospitality qualifications are integrated into the National Qualifications Framework.
7. Develop and implement a Cruise Ship Visitor Enhancement.

### ***Medium Term Priorities***

1. Develop and implement a National Tourism and Hospitality Training Program to include:
  - a. The upgrade the skills of existing trainers, develop resources and enhance curriculum so current training providers can meet the new Tongan accreditation standards by providing accredited and relevant competency based training to existing tourism employees and students yet to enter the industry.
  - b. The upgrading of teaching kitchens and hospitality training facilities and resources at the key training institutions commencing with Apoholino.
  - c. The targeting of two to three tourism and hospitality tutors at key local training institutions per year to gain higher teaching qualifications.
2. Further assess the feasibility of a dedicated tourism and hospitality school for Tonga in partnership with APTC.

3. Develop a program to support the upgrading of key visitor attractions including training in site management for owners/operators, tour guide training, signage and waste management.
4. Conduct a feasibility study on the development of a ‘living museum’ heritage centre in Nukualofa.
5. Undertake feasibility study to determine location and viability of yacht hardstand area for marine servicing in Vava’u and proceed to tender subject to positive feasibility.
6. Support the enhancement of the identified key heritage sites and adopt a phased approach to site development by:
  - a. Establishing local community governance structures for the sites
  - b. Providing assistance to communities to plan and develop value-added activities including micro-financing support
  - c. Providing basic level hospitality and site maintenance training to local communities
  - d. Integrating a heritage tour ‘trail’ concept into the Tonga Destinalional Marketing Plan
  - e. Adopting a phased approach but proceed with the ‘Ha’amonga enhancements as the initial priority site
7. Conduct a feasibility study on the development of a ‘living museum’ heritage centre in Nukualofa.

## **INFRASTRUCTURE AND ACCESS**

*To increase destination competitiveness through increased accessibility, infrastructure use and viability*

Major infrastructure improvements require careful consideration and assessment; investments are costly and need to be closely aligned to market demand. The provision of infrastructure upgrades will not necessarily lead to additional visitation, although additional services and product development can be facilitated where unmet market demand is evident.

Well-conceived, relatively minor infrastructure upgrades can have a significant impact in terms of the development of the tourism product offering. For example, signage and access roads to key sites are vital to facilitate visitor flows and the upgrading and expansion of mooring facilities can further enhance and distribute the benefits of yacht visitation. The provision of a hard stand maintenance facility in Vava’u would also facilitate yacht servicing and potentially create employment and extend the length of stay of yacht visitors.

Both yachting and the super yacht sector are important segments, where Tonga can offer competitive advantage over other Pacific countries. The latter segment in particular has been growing in importance in recent years and provides a particularly high yielding and attractive segment.

The prioritisation of these minor tourism related infrastructure needs is not currently undertaken as infrastructure planning generally focuses on the larger infrastructure projects such as roads, ports, airports and utilities. One mechanism for the further identification and documentation would be to incorporate them into Provincial Tourism Development Plans. These plans could also identify priority zones and sites for tourism development, including scale and facility type for incorporation into the Provincial Land Use Plans.

The National Infrastructure Investment Program (NIIP) provides the basis for the government investment program in infrastructure in the medium term. NIIP indicates that *'the existing commercial airports provide sufficient coverage to all island groups and at this stage have sufficient capacity for foreseeable needs. There are no plans to build any additional airports. However much of the infrastructure is nearing the end of its commercial life and requires upgrade to continue to meet international and national safety and security standards'*.

A significant investment program is already underway in the airports sector, which will include the resurfacing of Fua'amotu and Vava'u. These projects are being managed by TAL with assistance from the World Bank.

Air Transport is clearly a vital component of the tourism supply chain; tourism to the outer islands simply cannot grow unless reliable and competitive domestic air services are guaranteed. The major short term challenge for aviation in Tonga is to ensure a supportive policy and institutional environment is in place for competitive and stable international and domestic air services and to ensure the skills and qualifications for effective oversight of international safety and security standards are available in Tonga.

There is a strong recognition of the importance of maintaining consistent and reliable domestic air services. The lack of a clear government policy on domestic aviation is seen as being a critical weakness. Government needs to urgently develop a clear domestic aviation policy to create greater certainty.

Over recent years inter island air services have been unreliable and the market unstable with several operators entering and leaving the market. Specialist advice under the TSCP has developed recommendations on issues such as market entry and regulation. The Government needs to urgently consider these recommendations in formulating the domestic aviation policy, with the aim of creating a market environment in which stable and reliable inter-island transport can be assured.

The Government is also due to take delivery of two aircraft from China for use on the domestic air service network. In order to create greater certainty for all stakeholders, the Government should tender the domestic air services including the operation and maintenance of the new aircraft and clearly establish the financial and operating requirements, including any investment incentives and any community service obligations, as part of the tender process. A medium term operating period of three to five years should be considered under the tender process to create greater certainty.

The full impact of the recent withdrawal of the domestic air services by Chathams and the establishment of a new domestic services by Palu Aviation has yet to be established, but the short term impact is likely to be significant in terms of increased uncertainty from overseas markets in the country's capacity to deliver reliable domestic air transport for tourists. Investors and overseas distributors (wholesalers and agents) require certainty, particularly in relation to air transport; as the IFC Diagnostic indicated in 2010 that *'Tonga does not have a strong reputation in this regard due to changes to operators, schedules and consequential unreliability'*.

Whilst the Government and Palu Aviation are working together to manage the impact of the changeover in domestic aviation providers, experience from the previous loss of air services under Royal Tonga Airlines, indicates that it can take several years to recover from the loss of confidence suffered by the overseas travel trade that can result from such upheaval. This issue requires careful management by all parties to build and retain the confidence of overseas markets.

The cost of domestic air transport services is also a constraint on tourism development, particularly for the outer islands. Other competing destinations, such as Samoa, Cook Islands, Fiji and Vanuatu, can offer the majority of their tourism products on the main island, without the necessity of additional cost to the visitor of a domestic air transport sector. However domestic air services are vital to tourism and the Government needs to support the domestic aviation sector with investment and tax incentives, in the same way it will need to for other substantial tourism investments; these incentives are detailed in the Section Tourism Investment Facilitation.

The industry considers that the Government needs to strongly support the existing domestic aviation provider and that incentives such as duty and tax exemptions need to be formalised to facilitate cost competitive domestic aviation services, which are seen as the lifeblood of the operators in the provinces (as outlined in the Section Tourism Investment Facilitation). There is a view from industry that government needs to conclude an agreement with the domestic aviation operator to guarantee domestic air services and create greater certainty for the next few years.

Some industry concerns were expressed over the lack of capacity on domestic aviation routes, particularly for the upcoming high season. It is noted that the existing provider is making efforts to further address capacity constraints over the high season through the leasing of additional aircraft, but the likelihood appears to be that capacity constraints will apply throughout the 2013 high season.

There is a need to support the current transition period in domestic aviation services with strong communications from government, the airline and industry to other stakeholders domestically and internationally. Safety concerns regarding the new aircraft are being addresses by the operator with the assistance of PASO, but these need to be communicated to the market, to build confidence.

Tonga has an extensive road network and one of the highest levels of road density network in the region; maintenance is an issue in some areas however. Road maintenance and upgrading is being addressed through several projects including the NRIP, TSCP and IUDSP. The National Infrastructure Investment Plan (NIIP) identifies that Government’s priority for roads will be maintenance of the existing assets.

The Government is implementing its’ road infrastructure priorities through the Outer islands Roads Upgrading program (TOP 10 million) which is aimed at rehabilitating and resealing roads on Vava’u, ‘Eua and Ha’apai. Two key causeways which are important to the tourism sector, require urgent investment and rehabilitation; Vaipua Bridge (Vava’u) and Foa Causeway (Ha’apai).

The maritime sector has a key role to play in supporting tourism. Responsibility for wharfs is split between the Ports Authority of Tonga which is responsible for Queen Salote International and domestic Wharfs at Nukualofa and the Ministry for Infrastructure which is responsible for all other wharfs. Governments highest priority in maritime is to increase the safety and resilience of all maritime activities, rather than the development of major new infrastructure.

The TTCCI highlight the importance of the further development of the Vuna Wharf Marina site. The development of the proposed marina land between the wharf and the land provides an opportunity to enhance the waterfront in Nukualofa for tourism purposes. Currently little use is made of this waterfront area; potentially a vibrant mixed use marina, entertainment and retail development could be one of the major attractions in the town.

The National Infrastructure Investment Plan 2013 (Draft) clearly outlines the priorities for Government across key infrastructure components which have a significant impact upon the tourism industry as well as the everyday lives of Tongans, namely; energy (electricity, fuel), telecommunications (telephone, internet, broadcasting), water and waste related services (water supply, waste water, drainage, solid waste) and transport (airports, roads, sea ports).

A large number of major infrastructure projects are already underway in Tonga which will reduce the cost on sector inputs including,

- Tonga Energy Roadmap (TERM) implementation
- Tonga-Fiji Submarine Cable project (TFSCP)
- Nuku’alofa Urban Development Sector Project (NUDSP)
- Integrated Urban Development Sector Program (IUDSDP)
- Transport Sector Consolidation Project (TCSP)
- Pacific Aviation Investment Program (PAIP)

Additional priorities have been identified through the NIIP multi criteria assessment (MCA) process. The (thirteen) future priority projects identified through the NIIP are set out below:

Sector	Project	Estimated Cost

		(T\$m)
Energy	Additional 1-2MW solar PV on Tongatapu	24
	Outer Islands On-Grid Renewable Energy Project	9
Telecoms	Fibre-optic Cable to Ha’apai and Vava’u	30
	Communications for early warning and discovery	6
Water	Outer Islands water supply improvements	15
	Expand Nuku’alofa system to growth areas	11
Solid Waste	New landfill or Transfer station on Ha’apai	4
Roads	Outer islands Roads Upgrading System	10
Ports	Maritime Sector Safety and Resilience	20
Airports	Resurfacing Ha’apai Airport runway, apron and taxiway	9
	New control tower at Fua’amotu International Airport	7
Multi sector	Coastal protection – Eastern Tongatapu	15
	Disaster Response and Evacuation Infrastructure	12

The development of a water sector roadmap is urgently needed. Priorities are rehabilitation and expansion of the water systems on Vava’u, Ha’apai and ‘Eua and expansion of the Nukualofa water supply system to peri-urban areas of Nukualofa.

Energy costs in particular continue to represent a significant cost to the sector, with around 75 percent of Tonga’s energy supply coming from imported petroleum products. Larger hotels estimate that energy costs can represent as much as 30 percent of total operating costs.

The Tonga Energy Roadmap (TERM) provides the basis for a coordinated approach to address this issue and some progress has been made in addressing the key recommendations established by this framework, but much work remains to be done. Investments in renewable energy, improvements in the petroleum supply chain and increased efficiency in electricity usage are all key outcomes which the ten year TERM is driving. The TTCCI has also identified<sup>18</sup> the establishment of a domestic fuel tank for medium tanker range capacity (MRX) as a key initiative which will reduce the cost of diesel.

Inadequate waste management and unsustainable resource usage are major threats to the natural and cultural assets which underpin much of the tourism product in Tonga. This conclusion is supported by the findings of the visitor exit surveys<sup>19</sup> which indicate that Tonga rates poorly from a visitor perspective in terms on waste management and rubbish contamination; the major negative comment from departing visitors is overwhelmingly in regards to the amount of litter, which creates a poor impression and undermines Tonga’s efforts to market itself as an ‘unspoilt’ destination.

<sup>18</sup> Promoting Quick Economic Growth – TTCCI – July 2011

<sup>19</sup> International Visitor Survey- Exit Interviews – 2011 and 2012 – Lumsden Research for the TVB

The IFC Diagnostic also concludes that some aspects of the current environmental protection regulatory framework and enforcement process *'are not sufficient to mitigate the risks related to environmental degradation through human population impacts and development'*. This includes the enforcement of regulations related to land use planning, waste management and pollution. The Diagnostic indicates that the application and resourcing of Environmental Impact Assessments (EIAs) and marine protection regulations are inadequate, as is community awareness on environmental management issues and management of sites of cultural significance. These are critical issues that need to be addressed through the Roadmap, if Tonga is to have a sustainable tourism product base.

Whilst a solid waste collection system has been introduced on Tongatapu and the Waste Management Authority was established to take control of solid waste collection and disposal, facilities and on-going waste management systems are totally inadequate on the most other islands. Formal arrangements for waste collection are often not in place and the illegal dumping of waste continues to be a major problem. A combination of ongoing community environmental education, strong enforcement and the provision of adequate waste management facilities and services is required.

Waste management facilities need to be provided and recycling encouraged through education and government support. Basic facilities for waste management are required on Ha'apai and systems of collection and recycling needs to be established on several islands, potentially through the establishment of waste management authorities or privately contracted services, as is the case for Tongatapu. Local initiatives need to be supported to involve communities in waste management initiatives, such as village clean up competitions.

Several proposed projects under NIIP will support improvements including the NUDSP initiative to improve solid waste management on Tongatapu and Vava'u and improvements to the Vava'u landfill being funded by the Government of Japan. In the longer term a new site needs to be found for a new landfill facility on Vava'u. A national, long term approach to waste management is required and the (Draft) National Integrated Waste Management Strategy needs to be finalised and institutional arrangements and investment programs for the sector finalised.

Climate change and disaster risk management issues are becoming of increasing concern to Tongans; climate change adaptation measures need to be incorporated into the design of tourism facilities, as well as infrastructure.

Several regional programs are being undertaken in regard to climate change resilience, mitigation and adaptation including the ADB Promoting Energy Efficiency in the Pacific (PEEP) Phase 2 and through the UNIDO Renewable Energy and Energy Efficiency for Industry in selected Pacific countries - Energy Audits. Regional efforts supporting mitigation and adaptation such as the *'Coping with Climate Change in the Pacific Island Region Project'* being implemented by GIZ/SPC and adaptation need to be supported and translated into



action by the local sector as well as supported through the implementation of parallel approaches such as TERM.

Tourism related infrastructure is particularly vulnerable to natural disasters. The NIIP identifies priorities for infrastructure planning in relation to 'Disaster Response and Infrastructure Planning' and this program needs to be put into effect as part of the NIIP implementation process.

## **INFRASTRUCTURE AND ACCESS - KEY RECOMMENDATIONS**

### ***Short Term Priorities***

1. Develop a domestic aviation policy which establishes a clear investment framework for the sector.
2. Establish through a tender process the medium term (three to five years) operational requirements and financial arrangements relating to the provision of domestic air services, including the operation and maintenance of any Government owned equipment and aircraft.
3. Continue to support the transition to a new domestic aviation provider through an ongoing communications program with all stakeholders including the overseas travel trade.
4. Facilitate the provision of online domestic aviation bookings and commissionable products for overseas tour wholesalers and travel agents to facilitate product distribution.

### ***Medium Term Priorities***

1. Continue with the implementation of the medium term infrastructure priorities established through the NIIP and TERM including in the areas of:
  - a. Aviation transport infrastructure
  - b. Marine transport services and infrastructure
  - c. Roads infrastructure
  - d. Waste management infrastructure and services
  - e. Energy sector infrastructure and services
  - f. Water sector infrastructure and services
  - g. IT and telecommunications infrastructure and services.
2. Develop Provincial Tourism Plans which identify minor infrastructure developments including:
  - a. Access roads to identified key tourism attractions;
  - b. Potential mooring sites and upgrading requirements
  - c. Signage requirements in relation to key sites and the development of thematic heritage and natural attractions trails.

3. Establish a competitive Provincial Tourism Infrastructure Fund to finance improvements outlined in the Provincial Tourism Plans through a competitive process based on the cost benefit of identified priorities.

## **5. Tourism Sector Coordination and Management**

### **Tourism Sector Management**

The development of this Tourism Roadmap is recognition by the current Government that a more coordinated and prioritised approach is required to support tourism sector development. The level to which implementation of this Tourism Roadmap is adequately coordinated and resourced, will however, ultimately determine the success of this new approach.

Tourism is a multifaceted sector with a complex value chain involving a wide range of stakeholders. The tourism product is multifaceted, as the tourism product is essentially experience based, involving a range of services such as accommodation and transport, but also impressions created through interaction with the local community and the host environment. Delivery of the product therefore requires a high degree of coordination and awareness of the importance of tourism at every level of the community. This has in the past been lacking in Tonga where tourism development has often been characterised by a number of short term and ad-hoc initiatives and limited community awareness of the opportunity which the sector affords.

Some communities view tourism as a ‘Palangi’ industry, rather than one for Tongans. Community awareness raising of the opportunities tourism affords, as well business support mechanisms to realise those opportunities, will be critical to the medium term success of the Tourism Roadmap and delivery of broad based benefits.

Destinations which have been successful in developing tourism as a substantial and sustainable industry have developed a prioritised and planned approach which is supported by a ‘*Whole of Nation Approach*’ to development. This requires every stakeholder to understand their role and play their part; this is not easy to achieve, but is fundamental to successful development.

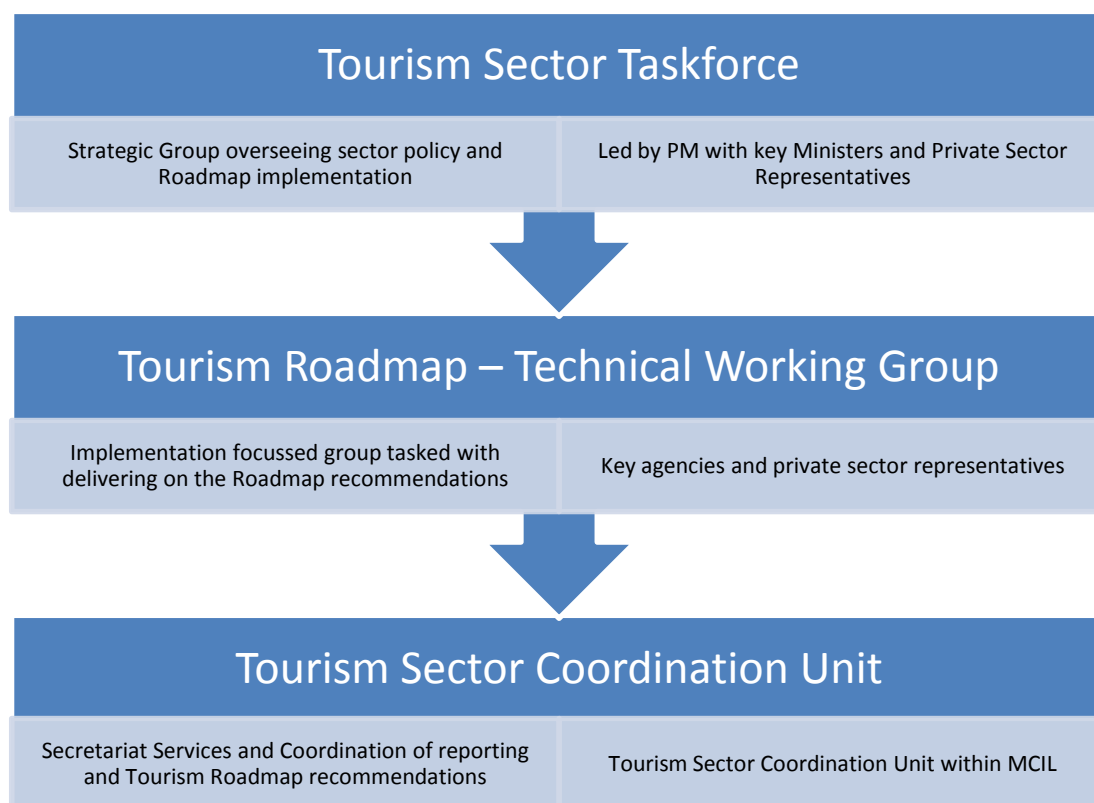
There is recognition that the industry (as well as Government) must also shoulder responsibility for the lack of the clear direction; there is a general view that in the past, resources have been poorly utilised due to poor industry leadership and a lack of cohesion.

The development of the Tourism Roadmap is seen as the beginning of the process to take a more coordinated approach to sector development. Addressing and resourcing the

identified priorities through a coordinated public/private and whole of government approach will determine the success of the Plan.

There is a strong view that there is a real need for leadership at Prime Ministerial level to drive change, coordinate Cabinet decisions and implement the priorities identified within the Roadmap (and to ensure that a ‘whole of nation’ approach is undertaken to sector development). Political commitment is widely considered to be a prerequisite to successful tourism development.

In order to facilitate a more coordinated and prioritised approach to the development of the tourism sector, three interrelated and complementary institutional structures need to be established and resourced. The relationship and core function of each of the coordinating groups is summarised in the diagram below and outlined in more detail as follows:



*Tourism Sector Taskforce (TST)*

A Tourism Sector Taskforce needs to be established as a Public Private body under the Chairmanship of the Prime Minister, to oversee the implementation of the Tourism Roadmap recommendations. The Minister for Tourism should be the Deputy Chair of the Taskforce and MCTL should provide secretariat services through a newly established ‘Tourism Sector Coordination Unit’.

Additional members of the Taskforce should be the Minister for Finance, Minister for Infrastructure, the CEO Prime Minister's Office, the CEO Ministry of Tourism, CEO Tonga Tourism Authority, CEO General Manager TBEC and seven additional private sector members, two from the Chamber of Commerce (as the NPSO), one from the domestic air services provider and one each from the tourism industry associations based on Tongatapu, Ha'apai, Vava'u and 'Eua.

The Taskforce should meet every three months to discuss progress on the TTR recommendations. For each TTR recommendation the designated agency should be charged with providing a quarterly update on progress to the Taskforce.

A review of the TTR priorities and recommendations should be undertaken by the MCTL every six months and a report provided through the Tourism Taskforce to Cabinet.

*Tourism Roadmap – Technical Working Group (TWG)*

A Tourism Roadmap Technical Working Group will be established to ensure coordination and technical support and input into the recommendations. The role of the TWG is to focus on the implementation and coordination of the identified recommendations.

The TWG should meet every month and be chaired by the CEO MCTL with the Tourism Sector Coordination Unit providing Secretariat support. The members of the TWG will be required to report at the Chair at the Tourism Sector Taskforce meetings on achievements and progress against the Implementation Plans. Members of the group will primarily be drawn from the lead agencies and organisations with responsibility for implementing the TTR.

*Tourism Sector Coordination Unit (TSCU) - Ministry of Commerce Tourism and Labour*

To improve the coordination of the tourism sector development and support the implementation of the TTR across all stakeholders, a Tourism Sector Coordination Unit will be established within the Ministry of Commerce Tourism and Labour (as outlined in Institutional Roles and Capacity Building Section).

**Institutional Roles and Capacity Building**

The Government has initiated a substantial institutional restructuring program which has included replacement of the Tonga Tourism Act 1988 with the Tonga Tourism Authority Act 2012 and the integration of the tourism policy, licencing and standards functions into the MCTL. MCTL is responsible for the oversight of the Tonga Tourism Authority. Both MCTL and the Tourism Authority have major roles to play in leading the implementation of this Roadmap.

The new Tourism Authority Act provides for the destination marketing role to be undertaken by the Tourism Authority, with the policy coordination, regulatory and licensing

role sit within the Ministry. However in some areas, most notably in the areas of research and statistics, industry standards, product development, tourism investment, HRD coordination and tourism planning, there is a need to more clearly define the functionality and role of the Tourism Authority and the MCTL.

The third agency which has a lead role implementing key aspects of this Roadmap is TBEC, as the provision of business support, training and product development services will be critical to sector growth and particularly to improved sustainability among existing businesses.

A summary of the required core functionality and capacity requirement to support tourism development is outlined below together with the lead agency/organisation responsibility:

Lead Agency	Core Functional Area	Capacity Requirement	
Ministry of Commerce Tourism and Labour	Policy and Planning	National tourism sector policy framework(Tourism Roadmap) development	
		Coordination of Tourism Roadmap implementation, PPP dialogue management, inter agency/stakeholder coordination and donor partner liaison	
		Provincial tourism planning and provincial sector development coordination	
	Tourism Investment	Tourism Investment Strategy development and implementation	
		Investment facilitation; landowner head lease negotiation and site packaging, opportunity/site profiling	
		Investment promotion and attraction; identification and targeting of potential investors	
		Investment incentives; definition and management	
		Landowner and investor mediation through extension services	
		Product Development	Development funds management; soft loans/grants administration in conjunction with Development Bank for product development or disaster recovery
			Basic advice and coordination of third party product development advice through extension services
Industry Standards and Regulation	Establishment of industry standards and grading system for accommodation and extension of standards program into key sectors including tour operators		
	Establishment of industry regulations and compliance monitoring		

	<b>Business Licensing</b>	Issuance of Business Licences and monitoring of compliance
	<b>Human Resource Development</b>	Tourism industry training needs analysis and industry workforce planning.
		Monitoring and forecasting of workforce requirements
		Implementing awareness campaigns on the value and opportunities provided by tourism to the local community
	<b>Destinational Marketing Management</b>	Contracting of the Tonga Tourism Authority and review and monitoring of expenditure effectiveness
	<b>Research and Statistics</b>	Compilation and analysis of visitor statistics obtained from visitor arrivals and departures cards
		Collection of key industry performance data including accommodation occupancy data, rooms capacity, employment levels and investment levels
		Economic impact analysis of tourism; foreign exchange, value added and GDP contribution
<b>Tonga Tourism Authority</b>	<b>Marketing</b>	Development, management and coordination of Destinational Tourism Marketing Strategy and Annual Plans
	<b>Product Development</b>	Promotion and management of tourism special events
	<b>Market Intelligence</b>	Tourism market research and visitor survey management
<b>Tonga Business Enterprise Centre</b>	<b>Workplace Training</b>	Annual tourism workplace training calendar design and management
	<b>Product Development</b>	Business and market advice and assistance, business training and mentoring.

The core roles can therefore be summarised as:

**Ministry of Commerce Tourism and Labour** - The Ministry of Commerce Tourism and Labour is the lead Ministry responsible for the development of policy for the tourism sector, the issuance of licences, the monitoring of accommodation standards, the contacting of the Authority to lead the destinational marketing, the coordination of the sector and the facilitation of investment opportunities. Recommendations to facilitate the required functionality to support tourism sector development, including the implementation of this Roadmap, are made in the next section under '*Sector Prioritisation and Coordination*'.

In order to fulfil this functionality outlined above and to support the implementation of the Tourism Sector Roadmap, a new Tourism Sector Coordination Unit (TSCU) is proposed to be established within MCTL. The proposed functionality and structure of this new TSCU are outlined below:

<b>TSCU Function</b>	<b>Activities</b>
<b>External Coordination of TTSR</b>	Secretariat services to TST Liaison with TST and TWG members Six Monthly Progress Report to TST TTSR communications strategy
<b>Sector Performance Monitoring</b>	Monitoring and Reporting on Sector Goals Review of the Authority Performance and Contracting
<b>Internal Coordination of TTSR</b>	Liaison with MCTL CEO and Divisional heads Design and contracting of studies, initiatives to support TTR recommendations
<b>Sector Statistics and Research Coordination</b>	Compilation of Quarterly Statistical Report and Annual Summary Annual Economic Impact Study Industry database
<b>Provincial Officer Liaison</b>	Investment liaison and packaging Industry association liaison
<b>Investment</b>	Investment site packaging, promotion and facilitation of major investments

The TSCU will be headed by a Manager Tourism Development and who will report directly to the CEO. The Manager will be supported by a Senior Tourism Development Officer and a Senior Tourism Officer – Research and Statistics.



**Tonga Tourism Authority** (the Authority) – The Tonga Tourism Authority (the Authority) is the statutory authority established under the Tonga Tourism Authority Act 2012, responsible for the design and implementation of the destination marketing of Tonga with the aim of increasing the awareness of Tonga’s destination image and tourism products in key source markets. The Authority will establish a clear and effective Marketing Strategy and Annual Plans and be contracted by MCTL to manage the delivery and achieve specific marketing outputs.

**Tonga Business Enterprise Centre (TBEC)** – TBEC has the lead role in the provision of business support services, workplace training and product development services and also has a supporting role in industry standards delivery and access to finance initiatives.

The identified functionality needs to be adequately resourced, which will require a greater financial commitment from Government to ensure the required functions are established and capacity developed to support the enabling environment required for development. This could be achieved through a long term Tourism Development Capacity Building Program delivered through MCTL. Further design work on this Program should be undertaken as part of the implementation of this Roadmap.

Coordination across the private sector also needs to be strengthened. The tourism industry associations within Tonga have been highly fragmented with competing tourism industry bodies both nationally and in some instances provincially. This has resulted in a lack of coordination, inadequate industry leadership and a failure to provide a united voice to government on key issues which impact on the industry. This has been detrimental to the development of the sector. The industry needs to work together through the industry associations at a national and provincial level. A united peak industry body has a key role in engaging with government at a number of levels to resolve key issues and promote a partnership approach to development.

In addition to the core tourism development functions of these three key agencies, a wide range of public, private and community stakeholders have a fundamental role to play in supporting aspects of the Roadmap and the ongoing development of tourism; the respective stakeholder roles and responsibilities are identified below:

### **Government**

**Ministry of Finance and National Planning** – establishes the national development policy through the TSDF, corporate planning and the provision of funds for tourism related activities through agency budgets. The Ministry also sets the macro level framework for investment in priority sectors including the tourism sector, work in conjunction with the relevant Ministries to set incentives for investment.

**Provincial Government** - Provincial Government have a key role to play in supporting tourism development by coordinating waste management, facilitating land use, community awareness and engagement.



**Department of Immigration, Ministry of Foreign Affairs** - The Department impacts through the determination of visas and arrivals process for tourists and investors and passenger processing; provide the frontline and first impressions and also set fees and fines for visas and breaches by visitors. Also works together with the Ministry of Commerce, Tourism and Labour to process applications by investors and administering the conditions of visas and permits for investors.

**Ministry of Agriculture, Food, Fisheries and Forests** - Fisheries impacts through its role in the protection of marine animals and regulation of game fishing operations. Forestry Department encourages sustainable management which can include the conservation of native fauna and flora which can be the basis of ecotourism products. Also provides extension services to help farmers to promote local food products as potential suppliers to hotels and restaurants.

**Ministry of Lands, Climate Change, Environment and Natural Resources** – through the development and enforcement of environmental regulations including those relating to environmental impact assessment of development and through the management of National Parks and forests and tourist trails and tracks, which are key assets which attract tourists; also allocates land, facilitates title transfer and maintains register of all titles and influences where tourism development can be located.

**Department of Health** – Through the management and collection of waste and sanitation, as well as management of health regulations for business operations, including inspection of tourist facilities and services to comply with hygiene and health standards, licensing of tourism services such as restaurants.

**Ministry of Revenue Services** – the Department of Revenue is responsible for the establishment of incentives to facilitate investment in the tourism sector as well as the setting of some government charges.

**Ministry of Police** – by maintaining safety and security and protecting visitors the police have a fundamental role to play in supporting tourism.

**The Ministry of Education and Training** – The Ministry is responsible for setting education policy, including the recently added responsibility for technical and Vocational training. The Department of Education reviews the primary and secondary school's curriculum and including tourism content and establishes training priorities.

**Ministry of Infrastructure, Civil Aviation Division** – through the setting of aviation policy, the management of air operator licences and the oversight of air safety regulations, Civil Aviation have a key role in supporting visitor air transport and in negotiation bi-lateral international air services agreements.

**Tonga Airports Limited** – through the management and maintenance of the international and domestic air infrastructure and the setting of airport fees, TAL have a key role in the tourism sector.

**Ports Authority** – through the management and maintenance of the sea transport infrastructure and facilitation of coordination of the cruise ship visits as well as the setting of wharf facility fees and charges.

### **Private Sector**

**Private Sector – Directly Tourism Related Businesses** – Individual tourism operators provide employment and income through investment in individual tourism products including accommodation, restaurants, tour operators, inbound tour operators, handicrafts, attractions, entertainment, taxis, transport and marine operations such as diving, fishing, yachting and whale watching.

**Private Sector – Indirectly Tourism Related Businesses**– Individuals and informal and informal businesses benefit from tourism at various levels of impact by supplying goods and services to tourism operators and tourists; services include foreign exchange, utilities, food production, fish and seafood, mechanical services, accountants, legal services and banks.

**Private Sector – Tourism Industry Associations** – private sector industry associations have a key role to play in providing a forum for the industry operators, representing a single voice for the tourism industry and lobbying government. Industry associations also generally provide a range of membership services including information and business support services. Industry associations can become a focal point for government and donor support programs including training. The Tonga Tourism Association is the peak industry body at a national level in Tonga. Provincial Industry Associations are also important intermediary bodies at a local level, in Vava’u, “Eua and Ha’apai, providing a forum for discussion, coordination and lobbying.

**Tonga Chamber of Commerce and Industry**– the TTCCI is the main private sector peak body; due to the broad involvement of all businesses either directly or indirectly in tourism, the Chamber represents all sectors involved directly and indirectly in tourism.

### **Other stakeholders**

**Local Communities** - Local communities have a key role in tourism at several levels; firstly they should be the beneficiaries from tourism through increased income and jobs generated directly and indirectly from tourism activities. Direct benefit may come in the form of income and/or employment from a tourism business or sales of handicraft products or provision of transport to tourists; indirect benefit may come from sales of food products to tourism operators or income from the lease of land. Communities also take care of tourism sites and cultural artefacts, keep tourists safe and provide support through clean-up activities and conservation measures.

**NGOs** – NGOs play a key role in working with different stakeholders to support sustainable tourism development and income generating opportunities. For example, Langafonua’a Fafine Tonga is playing an important role in strengthening linkages between tourism and handicrafts and cultural tourism products and the Tonga Youth Congress have a key role to

play in facilitating and supporting employment opportunities for youth by supporting eco-tourism activities, entertainment and hospitality services organised by youth associations.

**The Churches** - The Council of Churches and its members is particularly influential in society in Tonga and have a high degree of influence in all social and religious issues, including the Sunday Trading restrictions and the current regulations in relation to marriage in Tonga by non-residents. The Churches also directly support skills development in the tourism sector; for example the Catholic Church supports 'Ahopanilolo College which offers courses in hospitality and catering.

**Training Providers** – Church-based and government-funded vocational training institutions providing skill based tourism and hospitality training and refresher training for industry employees and working together with the industry to set training curriculum for training for the industry.

**Donors and Development Partners** – provide support for sustainable tourism initiatives which meet development outcomes.

**Overseas Travel Industry – Wholesalers and Travel Agents** – tourism operators rely on overseas travel agents and wholesalers, as well as internet based distributors to promote and distribute their individual products.

**Tourists/Consumers** – tourists need to be attracted from their home country to travel to Tonga; Tonga competes with many other destinations seeking to capture tourist expenditure. Tourists are defined as anyone staying for at least one night, who is not resident in Tonga and they can travel for holiday, to visit friends and relatives, for business, conferences or other purposes including sports and special events.

Each of these stakeholders has a role in the implementation of this Roadmap. The lead role for each recommendation is identified in the Tourism Roadmap Implementation Program, although many stakeholders will play an important supporting role.

Tourism is cross-sectoral with linkages across the broader economy; most sectors, including primary production and broader service activities, have the potential for growth through the development of tourism, either directly or indirectly. The role of the Chamber of Commerce and Industry is therefore central to development by in providing a coordinated approach from the private sector, as well as supporting other industry based associations with a narrower membership base. The Chamber of Commerce can broadly represent the private sector in terms of PPP dialogue and policy development, but also has a substantial role to play in terms of coordinating business support services and training through TBEC. Further efforts need to be made to support the Chamber as the peak private sector organisation at a national level and to support the efforts of the provincial tourism associations to provide relevant membership services to their members.

## TOURISM SECTOR MANAGEMENT - KEY RECOMMENDATIONS

### *Short Term Priorities*

1. Resource the TTR short term recommendations as outlined in the Implementation program (Section Six).
2. Establish the Tourism Sector Taskforce as a Public Private body under the Chairmanship of the Prime Minister to oversee the implementation of the TTR recommendations.
3. Establish the Tourism Roadmap Technical Working Group to facilitate the auctioning of the TTR recommendations.
4. Establish the Tourism Sector Coordination Unit (as outlined) to coordinate:
  - a. Six monthly TTR Progress Reports
  - b. Monthly TWG meetings
  - c. Quarterly TTF meetings
5. Hold a Donor Forum to mobilise additional partner support for the TTR
6. Establish the TTA management team and Business Plan (as outlined in the Marketing the Destination Section).
7. Establish, recruit staff and adequately resource the Tourism Sector Coordination Unit within MCTL
8. Develop and implement a programme of institutional capacity building aimed at strengthening the role and performance of the TSCU
9. Resource and expand the role of TBEC to deliver workplace based training, product development and business support services, (as outlined under the Section Product Development and Industry Standards)

### *Medium Term Priorities*

1. Support the capacity building of provincial tourism associations in membership services delivery and support
2. Provide support to the Chamber of Commerce to facilitate further PPP dialogue initiatives.
3. Continue to engage with donor partners and seek additional support for the implementation of the TTR priorities.
4. Conduct an independent evaluation of the progress of the TTR every two years, to assist with prioritisation and monitoring.

## 6. Tourism Roadmap Implementation Program

### Roadmap Action Plans

The key component of the Tonga Tourism Roadmap is the Implementation Program which is presented in this Section. Action Plans have been developed based on the recommendations identified through the Roadmap and outlined in Section Five. These action plans summarise the implementation program for the TTR initial five-year period.

The Action Plans identify:

- The priority TTR recommendation for implementation as follows:
  - Short Term Priority – within the next two years
  - Medium Term Priority – within the next three to five years
- The key initiative and follow up actions required;
- The stakeholders with responsibility for implementation;
- The budget required; and
- The timeframe for commencement.

There will be a need to revise these plans six monthly to reflect progress in implementation as well as new priorities, which have arisen. The Tourism Task Force should review progress on implementation of the Action Plans at their meetings.

### Road Map Budget Estimates

In order to implement the recommendations of the Road Map an increase in resourcing is required. This requires a level of commitment from the Government to grow the sector. Equally though the Roadmap is a partnership between the public sector, private sector and donors who each have their own role to play in supporting implementation.

The budget estimates have been developed for the five year period of implementation, commencing in the last quarter of 2013. The budget estimates are illustrated below for each focal area by anticipated year of expenditure. The total budget over the five year period required for implementation is TOP 48.7 million. A further breakdown of these budget estimates is provided in the Action Plans which are presented below.

Tonga Tourism Roadmap – Five Year Budget Requirements

<i>TTR Implementation Programme</i>	<i>Year One 2013/14</i>	<i>Year Two 2014/15</i>	<i>Year Three 2015/16</i>	<i>Year Four 2016/17</i>	<i>Year Five 2017/18</i>
<b>TTR Sector Management</b>					
<b>Sector Management</b>	2.86	2.65	2.84	2.65	2.84
<b>TTR Focal Area</b>					
<b>Marketing</b>	3.50	3.50	3.50	3.50	3.50
<b>Business Enabling Environment</b>	0.10		0.20		
<b>Tourism Investment</b>	0.50	0.75	0.25		
<b>Product/Workforce Development/Standards</b>	1.66	1.57	5.31	3.15	3.15
<b>Infrastructure and Access<sup>20</sup></b>	0.42		0.20		
<b>TOTAL<sup>21</sup></b>	9.04	8.47	12.3	9.4	9.5

<sup>20</sup> Excludes Infrastructure priorities already budgeted under NIIP

<sup>21</sup> All figures in 2013 values with no adjustment for inflation

Tonga Tourism Roadmap – Implementation Program –Tourism Sector Coordination and Management

<b>Strategy: Provide leadership and ensure national coordination and adequate resourcing to underpin the implementation of the Tourism Roadmap priorities</b>				
<b>Recommendation</b>	<b>Key Actions</b>	<b>Responsibility</b>	<b>Indicative Budget (TOP)</b>	<b>By When</b>
<b>SHORT TERM - RECOMMENDATIONS</b>				
Resource the TTR short term recommendations as outlined in the Implementation program	<ul style="list-style-type: none"> <li>Prepare budget submission for five year implementation program as outlined in TTR</li> </ul>	MCTL	Nil	October 2013
Establish the Tourism Sector Taskforce (TST) under the Chairmanship of the Prime Minister	<ul style="list-style-type: none"> <li>Develop TOR for TST and present for Cabinet endorsement</li> <li>Establish meeting schedule and secretariat services</li> </ul>	MCTL/PMs Office	100,000 per annum	October 2013
Establish the Tourism Roadmap Technical Working Group (TWG)	<ul style="list-style-type: none"> <li>Develop TOR for TWG and present for Cabinet endorsement</li> </ul>	MCTL	50,000 per annum	October 2013
Establish the Tourism Sector Coordination Unit (TSCU)	<ul style="list-style-type: none"> <li>Present revised MCTL structure and position descriptions to PSC</li> <li>Develop budgeted operational plan</li> <li>Recruit staff and provide budget</li> </ul>	MCTL	Staff – 200,000 pa Operational – 300,000 pa	October 2013
Hold a Donor Forum to mobilise additional partner support for the TTR	<ul style="list-style-type: none"> <li>Develop program and hold workshop</li> </ul>	MCTL/NPO	5,000	December 2013

Tonga Tourism Roadmap – Implementation Program –Tourism Sector Coordination and Management

Strategy: Establish clear roles and responsibilities to support tourism development and build capacity to ensure effective functionality				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By When
<b>SHORT TERM – RECOMMENDATIONS (Continued)</b>				
Establish the Authority Board, management team and Business Plan	<ul style="list-style-type: none"> <li>• Gazette the Authority legislation</li> <li>• Cabinet endorsement of Board</li> <li>• Prepare Budget submission and approve</li> <li>• Recruit General Manager and staff</li> <li>• Develop and implement Business Plan</li> </ul>	MCTL/Authority	See Sections below for budget	October 2013
Develop and implement a programme of institutional capacity for the TSCU	<ul style="list-style-type: none"> <li>• Design Capacity Building Program, fund and implement program</li> </ul>	MCTL	Design – 40,000 Program – 500,000 pa	December 2013
Resource and expand the role of TBEC to deliver workplace based training, product development and business support services	<ul style="list-style-type: none"> <li>• Design integrated Tourism SME Support program based on expansion of existing services</li> </ul>	TBEC	Design – 20,000 Program – 500,000 pa	December 2013
<b>MEDIUM TERM - RECOMMENDATIONS</b>				
Support the capacity building of provincial tourism associations	<ul style="list-style-type: none"> <li>• Provide technical assistance to tourism industry associations to develop</li> </ul>	Provincial Associations	100,000 pa	Jan 2015
Provide support to the Chamber of Commerce to support further PPP dialogue	<ul style="list-style-type: none"> <li>• Hold National Tourism Forum and PP Dialogue</li> </ul>	MCTL/TCCI	50,000 pa	Nov 2015
Continue to engage with donor partners and seek additional support for the implementation of the TTR priorities	<ul style="list-style-type: none"> <li>• Ongoing donor liaison and communications</li> </ul>	MCTL/NPO	5,000	Mar 2016
Conduct and independent evaluation of the progress of the TTR	<ul style="list-style-type: none"> <li>• Contract independent review</li> </ul>	MCTL	30,000	Oct 2015



Tonga Tourism Roadmap – Implementation Program – Marketing the Destination

Strategy: Increase the awareness of Tonga and demand for its' tourism products				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By When
<b>SHORT TERM - RECOMMENDATIONS</b>				
Appropriate Interim Budget for the Authority and appoint CEO and staff	<ul style="list-style-type: none"> <li>Interim budget prepared</li> <li>Appointment of General Manager</li> </ul>	The Authority	500,000 for first six month	September 2013
Develop and implement a short term tourism marketing program for 2013/14	<ul style="list-style-type: none"> <li>Short term marketing program developed and funded</li> </ul>	The Authority	As per Interim Budget above	October 2013
Develop and implement a medium term Business Plan for the Authority	<ul style="list-style-type: none"> <li>Develop Business Plan including                             <ul style="list-style-type: none"> <li>Destinational Marketing Program</li> <li>Market Intelligence Program</li> <li>Tonga Mark Program</li> </ul> </li> </ul>	The Authority	3,500,000 per annum – subject to detailed Business Plan	November 2013
Provide annual grant funding to Authority in line with the Business Plan budget	<ul style="list-style-type: none"> <li>Business Plan approved by MCTL</li> <li>Authority Budget appropriated</li> </ul>	MCIL/MoF	As per above budget	January 2014
Build the capacity of the Authority through a capacity building program	<ul style="list-style-type: none"> <li>Program designed and approved by Government</li> </ul>	Authority/NPO	Approx 500,000 pa subject to design	January 2014
Develop and implement a Tourism Industry communications program and ensure close stakeholder liaison on key activities	<ul style="list-style-type: none"> <li>Quarterly stakeholder briefings</li> <li>Monthly newsletter</li> <li>Annual Tourism Marketing Forum</li> </ul>	The Authority	Included In Annual Budget	Commencing Jan 2014 and ongoing
<b>MEDIUM TERM _ RECOMMENDATIONS</b>				
Monitor and evaluate marketing activity effectiveness	<ul style="list-style-type: none"> <li>Contract independent evaluation and review of Marketing</li> </ul>	The Authority	Included in Annual Budget	Jan 2016

Tonga Tourism Roadmap – Implementation Program – Business Enabling Environment

Strategy: Improve the enabling environment to support growth in tourism related businesses				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By When
<b>SHORT TERM - RECOMMENDATIONS</b>				
Amend residency requirements under the Births Deaths and Marriages Act (1988) to facilitate local weddings for overseas visitors	<ul style="list-style-type: none"> <li>• Prepare Cabinet submission and draft legislative amendments</li> <li>• Cabinet approval of amendments</li> </ul>	MoJ	Nil	January 2014
Complete the tender process and divest government ownership in the Dateline Hotel	<ul style="list-style-type: none"> <li>• Tender outcomes and divestment approved by Cabinet</li> <li>• Ownership transferred to reputable investor</li> </ul>	MoF/MoPE	200,000	March 2013
Establish a fixed timeframe for tax refunds and review taxation processes	<ul style="list-style-type: none"> <li>• Conduct review and establish clear timeframes</li> <li>• Review performance annually and publish findings</li> </ul>	MoR	Nil	January 2014
Finalise the transition to a fully electronic company registry	<ul style="list-style-type: none"> <li>• Complete the transition process to electronic company registry</li> </ul>	MCTL	To be established	To be established
Review tax payments offsets to facilitate investment	<ul style="list-style-type: none"> <li>• Review tax offsets and devise scheme</li> <li>• Prepare Cabinet paper for endorsement</li> <li>• Incorporate offsetting scheme into budget</li> </ul>	MoR	Nil	June 2014
Establish a central point of contact for yacht handling in the Department of Customs and Immigration	<ul style="list-style-type: none"> <li>• Point of contacts established and functioning efficient processing for all yacht clients</li> </ul>	DoC/Dol	Nil	March 2014

Tonga Tourism Roadmap – Implementation Program – Business Enabling Environment

Strategy: Improve the enabling environment to support growth in tourism related businesses				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By When
<b>MEDIUM TERM - RECOMMENDATIONS</b>				
Expand the ‘essential services’ classification under the Sunday Observance Act to include domestic and international air services to facilitate operations after midday on Sunday	<ul style="list-style-type: none"> <li>• Undertake consultation with Church, NGOs and community groups</li> <li>• Prepare paper for Cabinet endorsement</li> </ul>	MoP/CLO	200,000	Jan 2016
Conduct a review of the primary produce needs of the tourism and hospitality operators and develop agricultural extension services to support expansion of production	<ul style="list-style-type: none"> <li>• Conduct tourism industry ‘supplies’ survey</li> <li>• Develop and implement program of support for primary producers</li> </ul>	MoAg/MoFish/MCTL	To be established	Jan 2016
Strengthen the legal framework to support business <ul style="list-style-type: none"> <li>- Bankruptcy legislation</li> <li>- Legislation on trustees</li> <li>- Electronic transactions legislation</li> <li>- Law relating to Trustees</li> <li>- Contracting legislation</li> <li>- Arbitration legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Review individual legislative amendment requirements</li> <li>• Prepare recommendations for Cabinet endorsement</li> <li>• Develop draft legislation for approval</li> <li>• Approve draft legislation and Gazette</li> </ul>	MoF/MCTL/AG/Cabinet	To be established	Jan 2016

Tonga Tourism Roadmap – Implementation Program – Tourism Investment Facilitation

Strategy: Encourage and facilitate tourism investment that maximises contribution to Tonga’s economic, social and cultural wellbeing				
Recommendation Priority	Key Actions	Responsibility	Indicative Budget (TOP)	By when
<b>SHORT TERM - RECOMMENDATIONS</b>				
Formalise and introduce a system and process for the identified Tourism Investment Incentives	<ul style="list-style-type: none"> <li>• Conduct a review of tourism investment incentives based on TTR recommendations</li> <li>• Introduce and formalise investment incentives</li> </ul>	MoR/MCTL	50,000	December 2014
Develop strata title legislation for tourism developments	<ul style="list-style-type: none"> <li>• Conduct a review of strata title legislation and prepare draft legislation</li> <li>• Endorse legislation through Parliament and gazette</li> </ul>	MoL	75,000	June 2014
<b>MEDIUM TERM - RECOMMENDATIONS</b>				
Develop regulations to the license real estate agents	<ul style="list-style-type: none"> <li>• Conduct a review of regulations and licencing and develop draft regulations</li> <li>• Cabinet endorsement of regulations and enactment</li> </ul>	MCTL	25,000	June 2015

Tonga Tourism Roadmap – Implementation Program – Product and Workforce Development and Industry Standards

Strategy: Support the delivery of quality tourism products that reflect Tonga’s unique environment and cultural heritage				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By when
<b>SHORT TERM - RECOMMENDATIONS</b>				
Design and implement an integrated support program for tourism operators (Integrated Tourism Product Development Program) as outlined.	<ul style="list-style-type: none"> <li>Design an integrated program as outlined below and contract TBEC to manage components 1, 3 and 4.</li> </ul>	MCTL	50,000	March 2014
<i>Component One - Market Access and Product Distribution</i>	<ul style="list-style-type: none"> <li>Expand TBEC support services for individual operators in online marketing through training and mentoring (and SPTO online program)</li> </ul>	TBEC/SPTO	300,000 pa	Ongoing from March 2014
<i>Component Two - Quality Standards</i>	<ul style="list-style-type: none"> <li>Strengthen the Tonga Mark program by                             <ul style="list-style-type: none"> <li>- Capacity building of assessors</li> <li>- Integration in to business licencing procedures and fees</li> <li>- Training for accommodation providers</li> </ul> </li> </ul>	MCTL	200,000 pa	Ongoing from March 2014
<i>Component Three - Training and Business Support Services</i>	<ul style="list-style-type: none"> <li>Expand TBEC workplace training programs and annual training calendar</li> <li>Strengthen business support services provided by TBEC through expansion of business mentoring and BOSS program</li> </ul>	TBEC	500,000 pa	Ongoing from March 2014
<i>Component Four - Access to Finance</i>	<ul style="list-style-type: none"> <li>Review the feasibility of providing subsidised loans for small and medium sized tourism operators to support product improvement and expansion</li> </ul>	MCTL/IFC	50,000	March 2014

Strategy: Support the delivery of quality tourism products that reflect Tonga’s unique environment and cultural heritage				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By when
Appoint a full time Tourism Industry Coordinator at TBEC.	<ul style="list-style-type: none"> <li>Develop service contract with MCTL and recruit</li> </ul>	TBEC	50,000 pa	January 2014
Expand and resource additional workplace training in tourism and hospitality coordinated by TBEC.	<ul style="list-style-type: none"> <li>See Product Development recommendations</li> </ul>	TBEC	Already budgeted in Product Development	March 2014
Expand the business advisory services provided by TBEC	<ul style="list-style-type: none"> <li>See Product Development recommendations</li> </ul>	TBEC	Already budgeted in Product Development	March 2014
Link all TBEC training and support services to online resources through the TBEC website	<ul style="list-style-type: none"> <li>Upgrade TBEC website and training resource data and linkages</li> </ul>	TBEC	10,000	March
Liaise with the National Qualifications Accreditation Board over assessment and award of tourism and hospitality qualifications	<ul style="list-style-type: none"> <li>Review qualifications framework for tourism and hospitality</li> <li>Hold regular meetings with NQAB</li> </ul>	TBEC	Nil	October 2013 and ongoing
Develop and implement a Cruise Ship visitor Enhancement Program	<ul style="list-style-type: none"> <li>Pilot the SPTO Cruise Ship Visitor Awareness program</li> <li>Revise and adapt accordingly and assess future training needs</li> </ul>	MCTL	50,000	February 2013

Tonga Tourism Roadmap – Implementation Program – Product and Workforce Development and Industry Standards

Strategy: Support product development and industry standards which meet market demand and reflect Tonga's unique environmental and cultural heritage				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By when
<b>MEDIUM TERM - RECOMMENDATIONS</b>				
Develop a program to support the upgrading of key visitor attractions and heritage sites	<ul style="list-style-type: none"> <li>• Design Heritage and Natural Attractions Program including:                             <ul style="list-style-type: none"> <li>- Establishing local community governance structures</li> <li>- Assisting communities to plan and value add</li> <li>- Providing training to communities</li> <li>- Phasing the upgrading sites including signage and basic infrastructure</li> </ul> </li> </ul>	MCTL/MEWAC/MIA	500,000 pa	Jan 2016
Conduct a feasibility study on the development of a 'living museum' heritage centre in Nukualofa	<ul style="list-style-type: none"> <li>• Design TOR and contract consultant</li> <li>• Proceed based on viability and outcomes</li> </ul>	MIA	25,000	Mar 2016
Undertake feasibility study on yacht hardstand area for marine servicing in Vava'u	<ul style="list-style-type: none"> <li>• Design TOR and contract consultant</li> <li>• Proceed based on viability and outcomes</li> </ul>	MCTL/Port Authority	20,000	June 2015
Integrating a heritage tour 'trail' concept into the Tonga Destination Marketing Plan	<ul style="list-style-type: none"> <li>• Develop and integrate trail concepts into destination marketing</li> <li>• Develop signage and information program for trails</li> </ul>	The Authority	100,000	Jan 2015
Upgrade the skills of existing trainers	<ul style="list-style-type: none"> <li>• Provide targeted scholarships program for teachers</li> </ul>	MET/TNQAB/Training Providers	100,000 pa	January 2016
Develop teaching resources and enhance	<ul style="list-style-type: none"> <li>• Review and upgrade curriculum</li> </ul>	MET/TNQAB/Training	300,000	June 2016

Strategy: Support product development and industry standards which meet market demand and reflect Tonga's unique environmental and cultural heritage				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By when
curriculum to required standards	<ul style="list-style-type: none"> <li>Produce revised learning materials</li> </ul>	Providers		
Upgrade teaching kitchens and hospitality training facilities and resources at the key training institutions	<ul style="list-style-type: none"> <li>Review existing facilities and design and cost upgrades</li> <li>Implement improvements</li> </ul>	MET/TNQAB/Training Providers	3,000,000	January 2016
Further assess the feasibility of a dedicated tourism and hospitality school for Tonga in partnership with APTC	<ul style="list-style-type: none"> <li>Liaise with APTC and conduct feasibility</li> </ul>	MET/TNQAB/Training Providers	30,000	January 2016
Strengthen marine protection and undertake effective coastal resource management	<ul style="list-style-type: none"> <li>Implement a coordinated marine protection and coastal resource management programme including – community awareness – enforcement of marine protection regulations – Marine Protected Area designations – on going improvement to waste management facilities</li> </ul>	MoE	1,000,000 pa	June 2015



Tonga Tourism Roadmap – Implementation Program – Infrastructure and Access

Strategy: Increase destination competitiveness through increased accessibility, infrastructure use and viability				
Recommendation	Key Actions	Responsibility	Indicative Budget (TOP)	By when
<b>SHORT TERM - RECOMMENDATIONS</b>				
Develop a domestic aviation policy which establishes a clear investment framework	<ul style="list-style-type: none"> <li>Review options, undertake consultation and develop Domestic Aviation Policy</li> </ul>	Mol	70,000	December 2013
Establish through a tender process the medium term (three to five years) operational requirements and financial arrangements relating to the provision of domestic air services	<ul style="list-style-type: none"> <li>Prepare tender documentation including specifications, advertise and evaluate technical and financial proposals</li> <li>Award tender to preferred supplier</li> </ul>	Mol	150,000	March 2014
Continue ongoing communications program with stakeholders regarding the transitional period for domestic aviation services	<ul style="list-style-type: none"> <li>Prepare regular press releases and travel trade communications program</li> </ul>	The Authority	Included in Authority Marketing Budget	Ongoing
Facilitate the provision of online domestic aviation bookings and commissionable	<ul style="list-style-type: none"> <li>Prepare documentation for donor funded technical assistance</li> <li>Engage consultants</li> </ul>	TBEC/PA	200,000	March 2014
Implement a community awareness program on waste management and littering	<ul style="list-style-type: none"> <li>Design and implement an Awareness Program on waste management and littering</li> </ul>	MoE	200,000 pa	July 2014
Develop and implement training in disaster risk management for tourism operators	<ul style="list-style-type: none"> <li>Integrate training into TBEC annual training calendar and provide follow up advice on site emergency response</li> </ul>	TBEC	100,000 pa	June 2014
Increase enforcement of existing building regulation controls relating to new development	<ul style="list-style-type: none"> <li>Increase level of supervision and compliance with expanded program</li> </ul>	Mol	200,000 pa	June 2014

Tonga Tourism Roadmap – Implementation Program – Infrastructure and Access

Strategy: Increase destination competitiveness through increased accessibility, infrastructure use and viability				
Recommendation Priority	Key Actions	Responsibility	Indicative Budget (TOP)	By when
<b>MEDIUM TERM - RECOMMENDATIONS</b>				
Continue with the implementation of the medium term infrastructure priorities established through the NIIP and TERM	<ul style="list-style-type: none"> <li>• Provide ongoing input into NIIP and TERM implementation process including:                             <ul style="list-style-type: none"> <li>- Aviation Transport infrastructure</li> <li>- Marine transport services and infrastructure</li> <li>- Roads infrastructure</li> <li>- Waste management infrastructure and services</li> <li>- Energy sector infrastructure and services</li> <li>- IT and telecommunications infrastructure and service</li> <li>- Multi sector – coastal protection and disaster management</li> </ul> </li> </ul>	Mol	172,000,000	Ongoing
Develop Provincial Tourism Plans which identify minor infrastructure developments and Provincial initiatives	<ul style="list-style-type: none"> <li>• Develop Provincial Tourism Plans to include:                             <ul style="list-style-type: none"> <li>- Local infrastructure upgrades</li> <li>- Key tourism attractions</li> <li>- Tourism development zones and key sites</li> <li>- Waste management</li> </ul> </li> </ul>	MCTL	200,000	June 2015

Strategy: Increase destination competitiveness through increased accessibility, infrastructure use and viability				
Recommendation Priority	Key Actions	Responsibility	Indicative Budget (TOP)	By when
	<ul style="list-style-type: none"> <li>- Disaster risk management</li> <li>- Provincial tourism programs (ie awareness, events, product development)</li> </ul>			
Finalise and implement the priorities under the (Draft) National Waste Management Strategy (NIWMS)	<ul style="list-style-type: none"> <li>• Finalise the NIWMS and approve in Cabinet</li> <li>• Resource priority recommendations</li> </ul>	MoE	To be determined	January 2015

**ANNEX A – Tourism Sector Investment Opportunity Analysis for Tonga**

**Tonga Tourism Sector Roadmap – DRAFT FOR DISCUSSION**

Product	Scale (Units)	Economic Impact	Environ Impact	Cultural Impact	Infrastructure Requirement	Investment Opportunity Analysis – Best prospects
<b>Accommodation</b>						
Individual Holiday Homes	1	Low	Low	Low	Low	Growth market particularly for families and small groups and retirees
Guest house/backpackers hostel/fales	5 - 50	Medium	Low	Low -	Low	Major component of Tonga industry – small scale investment – owner operated
Small – medium – boutique resort	5 - 50	High Lower leakage	Low	Low Strong linkages	Low	Pacific Islands major source of tourism investment
Medium to Large Resort – with supporting conference and leisure facilities	50 - 250	High	Medium	Medium	Some investment required	Some Pacific investment – requires high volume (and supports)critical mass )with supporting services and policies
Large Integrated Resort Complex Resort/Casino/Golf/ Shopping/Real Estate	500 – 5,000+	High	High	High	Substantial investment required	Limited Pacific investment – mainly underwritten by Government – requires high volume

**Tonga Tourism Sector Roadmap – DRAFT FOR DISCUSSION**

Product	Scale (Berths/Units)	Economic Impact	Environ Impact	Cultural Impact	Infrastructure Requirement	Investment Opportunity Analysis/Best Prospects
<b>Cruise, Yachting, Water Based</b>						
Yachting (charters and visiting)	2 - 10	Low to medium	Low	Low	Low	Some growth but relatively small scale
Super Yachts	20 - 100	High	Low	Low	Low	Growing but relatively small scale – can lead to other investment
Small scale cruise ships	100 - 500	High	Low	Low/Medium	Low to medium	Some investment but limited
Large cruise ships	500 – 3,000	High	Low	Medium	Low to medium	Growth market but geographically dependent
Live aboard dive/fish	10 – 20	Medium	Low	Low	Low	Growth market but highly competitive
<b>Tours and Inbound</b>						
Inbound Operators		High	Low	Low	Low	Key component in tourism value chain
Tour Products – Cultural, Environmental/	Small	Medium - High	Low	Low - Medium	Low	Provides strong point of differentiation for Tonga – Cultural tourism and environmental soft adventure combination

Tonga Tourism Sector Roadmap – DRAFT FOR DISCUSSION

Nature and Soft Adventure Focus						
Water based activities – dive, fish, whale swims/watch	Small	High	Low	Low	Low	Provides strong point of differentiation and uniqueness for Tonga

Annex B – Tourism Sector Investment Opportunities by Province

Product	Scale	Tongatapu	'Eua	Vava'u	Ha'apai	Niuas	Tourism Planning Policy
<b>Accommodation</b>							All recommendations will be further discussed at the provincial consultation stage
Individual Holiday Homes	1	√	√	√	√		Small scale individual ownership for holiday rental market
Guest house/hotel/backpackers/fales/hostel	5 - 50	√	√	√	√	√	Current basis of accommodation product in all islands and main development option for outer islands



**Tonga Tourism Sector Roadmap – DRAFT FOR DISCUSSION**

Small – medium – boutique resort	5 - 50	√	√	√	√	√	Limit supply in ‘Eua, Niuas and Ha’apai to limit social impacts – (currently limited demand)
Medium to Large Resort – with supporting conf and leisure facilities	50 - 250	√		√			Limit development to Tongatapu and Vava’u to minimise social impacts

