Sharing the Riches of Tourism in Vanuatu

Regina Scheyvens & Matt Russell

MASSEY UNIVERSITY
School of People, Environment & Planning

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Foreword & Acknowledgements

This report is a product of a NZAID-funded research project entitled *Sharing the Riches of Tourism: Exploring How Tourism Can Contribute More Effectively to Poverty Alleviation in the Pacific*. Following an earlier report on Fiji (Scheyvens and Russell 2010), it examines whether tourism is delivering widespread development benefits to Ni-Vanuatu people.

While this research was initiated and managed by Regina Scheyvens, it would not have been possible without the valuable research assistance of the following people: Viran Brown and Adlyn Rambay from Vanuatu who set up numerous interviews and took part in data collection in March 2011; Matt Russell of Massey University who conducted the literature review; and Ed Cameron and Aaron Rees of Massey University who carefully transcribed all of the interviews. It has been most enjoyable working with all of you – *Tankyu tumas*! Sincere appreciation also goes to all research participants who agreed to give up their valuable time to share their thoughts and experiences with us. We learned a great deal from you, and we have endeavoured to portray your ideas with care and accuracy. Finally, thank you to the New Zealand Aid Programme (within the Ministry of Foreign Affairs and Trade). This research was one of the first projects funded under the International Development Research Fund, an excellent initiative which demonstrates the Aid Programme’s commitment to generating knowledge about development and learning lessons which may assist with future development practice. Without your funding this research could not have gone ahead.

NB this Report does not claim to provide a comprehensive overview and analysis of tourism in Vanuatu and its links to development. After speaking with Joseph Cheer, a Lecturer and PhD candidate at Monash University who is researching tourism and poverty in the outer islands of Vanuatu, I decided to focus my research on Efate, while also drawing from published accounts of tourism in the outer islands. This report makes extensive use of literature on tourism in Vanuatu and the Vanuatu development context, as well as reports from development actors (such as ADB and WTTC). The findings are, however, largely based around information from the primary data collected by my research assistants and I in Vanuatu.

Please contact Regina if you would like to provide any feedback on this Report: *r.a.scheyvens@massey.ac.nz*. 
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AIP</td>
<td>Adventures in Paradise (tour agency)</td>
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<td>AusAID</td>
<td>Australian Development Assistance Agency</td>
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<td>CRP</td>
<td>Comprehensive Reform Programme</td>
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<td>DOT</td>
<td>Department of Tourism</td>
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<td>IUCN</td>
<td>International Union for the Conservation of Nature</td>
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<td>MFAT</td>
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<td>NZAP</td>
<td>New Zealand Aid Programme (from 2009-present)</td>
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<td>PPT</td>
<td>Pro-Poor Tourism</td>
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<td>TVET</td>
<td>Technical and Vocational Education and Training Program (Australian government programme)</td>
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<td>VIPA</td>
<td>Vanuatu Investment Promotions Authority</td>
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<td>VNSO</td>
<td>Vanuatu National Statistics Office</td>
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<td>VSA</td>
<td>Volunteer Service Abroad (NZ organisation)</td>
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<td>VTAP</td>
<td>Vanuatu Tourism Action Programme</td>
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<td>VTO</td>
<td>Vanuatu Tourism Office</td>
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<td>VTOA</td>
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1. INTRODUCTION

This report is based on independent research conducted for an NZ Aid Programme-funded project Sharing the Riches of Tourism: Exploring How Tourism Can Contribute More Effectively to Poverty Alleviation in the Pacific.

Research in a variety of developing country contexts has found that the conventional focus on increasing tourist arrivals, encouraging foreign investment in the sector, and seeking to improve foreign exchange earnings has often failed to significantly enhance the benefits of tourism for the poor. A new approach to tourism development, PPT (pro-poor tourism), suggests that greater benefits from tourism can be spread to the poor by encouraging a wide range of players (community, private sector, civil society, government) working at a range of scales (local, national, regional) to spread the benefits of tourism more widely and unlock livelihood opportunities for the poor within tourism and connected sectors (Mitchell and Ashley, 2010). This can lead to improvements, for example, in policy, in labour practices of hotels and resorts, and better linkages with related sectors such as agriculture and fisheries.

There has been a startling absence of research on PPT in the Pacific to date thus this research has the following aim:

- to examine whether tourism is delivering widespread development benefits to ni-Vanuatu people at different scales of tourism development, and under different land tenure arrangements.

With 98% of land under communal tenure, much of it prime coastal land, it was considered particularly important that the influence of land tenure was considered.

Tourism is the major economic sector in Vanuatu, generating approximately 20% of GDP and directly employing 11,000 people (WTTC 2011: 1). Growth rates have been strong in the past decade, doubling from 106,058 arrivals in 2001 to 218,778 in 2011 (Vanuatu National Statistics Office website, 2012). Interestingly, this growth has been fueled in particular by the increase in cruise ships visiting the country. While the tourism sector is performing well in Vanuatu, the foreign domination of parts of the sector and lack of backward linkages have to some extent constrained opportunities for income generation and job creation (Milne 1997: 292; Johnston et al. 2012). While more recent government development
plans have prioritised local business development and improving linkages with other sectors and businesses, relatively few ni-Vanuatu own tourism enterprises.

The tourism industry in Vanuatu has been successful in generating foreign investment, however development has been uneven, partly because of the significant challenge posed by the geographic dispersion of the 83 island archipelago with over 200,000 residents and over 120 traditional languages. Tourism has been concentrated around the main island, Efate, and benefits have not trickled down to the poorest groups. The recent branding and marketing campaign for Vanuatu, centred around the slogan ‘Discover what matters’, has an emphasis on encouraging tourists to explore more peripheral destinations in the country which may help to spread the benefits of tourism more widely in future.

Data collection and verification

This report is based on information from both primary and secondary data sources. The secondary data includes a wide range of academic articles, reports by development agencies and government statistics. Much of this is incorporated in sections 2 and 3 to follow. Section 2 provides an overview of the development context in Vanuatu, including the economy, employment, politics and land tenure. Section 3 on the tourism context draws on secondary data as well as interviews pertinent to the growth of tourism and its centrality to the Vanuatu economy, government plans for tourism development, and the rapid growth of cruise ship tourism. This is followed by the major part of this report which focuses on the findings and recommendations of research conducted in Vanuatu in 2011-12.

In March 2011 while working with two research assistants (Viran Brown and Adlyn Rambay), I collected data from the National Statistics Office and Vanuatu Tourism Office, participated in two tours run by ni-Vanuatu operators, and interviewed the following people:

• Officials from: Department of Tourism, Vanuatu Tourism Organisation, Lands Department, Department of Cooperatives and Ni-Vanuatu Business Development (Shefa Province)
• Donors/development actors: New Zealand High Commission, AusAID, Oxfam, volunteers working in the tourism/business development sector (from VSA and VSO)
• Private sector: The Grand and Iririki Resort (general manager – who also spoke to me as the chair of the Vanuatu Hotels and Resorts Association, &
a purchasing manager), Eratap resort (general manager and a grounds & maintenance employee), Vanuatu Direct (supplier of fresh produce), South Seas Shipping.

- Ni-Vanuatu tourism businesses: Bakro Tours, Lelepa Tours, Evergreen Tours, Tour boat steward (in Epule), restaurant cook (Onesua), gatekeeper (Eton beach), two stallholders at the Women’s Handicraft Centre (Vila).

Initial data analysis was conducted prior to attending the Vanuatu Tourism Symposium on June 28-29 in Port Vila. During this Symposium I presented preliminary findings of this research to an audience comprising industry leaders, government officials, local tourism actors/operators, and people from development agencies. This allowed for frank dialogue around my research findings, and I have subsequently incorporated feedback from a number of people present at the Symposium into this report. I also interviewed the owner of Poppy’s on the Lagoon and Friendly Bungalows (Tanna) during this visit.
2. DEVELOPMENT CONTEXT

Geography

Vanuatu is home to 234,023 people (Census 2009), a population which is increasing rapidly at 2.3% annually. The capital, Port Vila, has a population of around 44,000. It is based on the island of Efate, where government offices and most commercial developments are based.

As noted above, the country is made up of 83 islands which are stretched out in a ‘Y’ shape over hundreds of kilometres of the Pacific Ocean (Figure 1). While this geographical dispersal means Vanuatu is blessed with many beautiful islands rich in biological diversity and home to people from a wide range of ethnic groups, the spread of islands is also a barrier to development:

*The geographical spread of the islands is one of the biggest constraining factors about the country. It’s not like we’re one huge landmass, so working in the country is a lot more challenging (Donor official: March 2011).*

Figure 1: Map of Vanuatu

![Map of Vanuatu](source: Lonely Planet (2011))
Dealing with 83 islands, organised into 6 provinces, is a challenge to any government wishing to provide a basic level of services to all of its citizens. Vanuatu’s island geography and scattered population makes the costs of providing infrastructure and public services particularly high, and means it is difficult to realise economies of scale. Meanwhile its remoteness from international markets ensures high costs for inputs and transportation (Cox et al., 2007: 4).

The economy

Vanuatu has achieved a strong and sustained level of economic growth over recent years, with GDP growth averaging 5.7% per annum between 2003 and 2009. Reasons for this growth included policy reforms to open up sectors such as telecommunications and aviation, which has stimulated private investment (ADB, 2011: 241). Although Vanuatu is experiencing more favourable growth rates than many of its neighbours, the wider economic challenges it is currently facing are typical of the South Pacific region as a whole. The geographical spread of small islands and the country’s small population prevent greater integration into the global economy. Increasing dependence on tourism as a viable economic growth strategy has occurred in parallel with declines in traditional export sectors.

Growth slowed in 2010 to around 3%, partly due to the recovery of tourism in Fiji which had lost market share in 2009 to Vanuatu (ibid). The Vanuatu economy showed resilience throughout 2009 during the global financial crisis (Feeny, 2009), a resilience characteristic of “economies which are not completely open to the vagaries of the international financial market or international trade due to their reliance on the traditional economy” (UNDP, 2010: 8). Essentially, this suggests the subsistence agricultural sector is very important to the wellbeing of ni-Vanuatu, especially rural dwellers who often have limited sources of cash income (Verdone and Seidl, 2012).

The government has maintained Vanuatu’s pre-independence status as a tax haven and international off-shore financial centre, and approximately 2000 registered institutions offer a wide range of offshore banking, investment, legal, accounting, and insurance and trust-company services (ibid). The country also receives very high levels of international aid (between 2000-2003, Vanuatu was the 4th largest recipient of aid in the world on a per capita basis), and donor assistance is unofficially estimated to contribute about 25% of GDP (International Labour Organisation, 2009: 10).
Vanuatu’s economy is still primarily agriculturally based, with 80% of the population involved in agricultural activities ranging from subsistence farming to small-scale production of cash-crops such as coconuts, kava, copra and cocoa. Coconut oil, copra, kava and beef account for more than 75% of Vanuatu’s total agricultural exports, and agriculture accounts for approximately 20% of GDP (Government of Vanuatu, 2011). Although agriculture is still the biggest export sector and involves all but a small proportion of the population, the performance of commercial agriculture has been declining over recent years (ADB, 2009, 2009b; Cox et al., 2007). Copra remains the largest export commodity, but is based on outdated, labour-intensive forms of production with very low returns (Cox et al., 2007: 13). Kava has become a key product for both domestic consumption and export – with more than half of rural households involved in smallholder production in 1999 – however the export market has been reduced by an EU health ban, together with a lack of quality control and inadequate marketing support by the Vanuatu Commodities Marketing Board (Cox et al., 2007: 13). This has led an increasing number of ni-Vanuatu turning to higher-value and niche products such as, vanilla, ginger, pepper, cocoa, coffee and beef. While vanilla, cocoa and beef have enjoyed some success, commercial development has been limited by a lack of skills, the low reliability and high cost of transport, lack of cool storage facilities, difficulties in achieving economies of scale, as well as a lack of input or support from central government (Cox et al., 2007: 13). The ADB argues that the agricultural sector in Vanuatu is characterised by a “lack of leadership and vision” on behalf of central government, and the “formulation and implementation of a national agricultural policy is an urgent need, with a focus on the government’s core roles in areas such as regulation, extension and research” (2009b: 7).

Despite these issues, it should also be stressed that the agricultural sector, combined with the traditional land tenure system (see below), has been able to successfully meet the subsistence needs of most of population. As an AusAID report has noted, rural livelihoods in Vanuatu are characterised by both ‘subsistence affluence’, as well as a ‘poverty of opportunity’ (Cox et al., 2007). The vast majority of rural communities in Vanuatu live primarily from subsistence agriculture which, given the abundance of high-quality, communally owned land on most islands, is able to sustain families with only very small inputs of labour. While rural communities have poor human development indicators, absolute poverty is virtually unknown (Cox et al., 2007: ii). Like many other South Pacific nations, access to communally held land is crucial in underpinning this minimum standard of living.
Ni-Vanuatu engagement in local economic development initiatives

Many ni-Vanuatu have not directly experienced the benefits of economic development. Very few ni-Vanuatu own businesses, and where they do, they tend to be small, informal enterprises centred around urban areas, such as kava bars, taxis, buses and small retail outlets (Cox et al., 2007: 6).

Fostering backwards linkages and widely spreading the benefits of economic development is more problematic in countries like Vanuatu where most communities rely on marine transport and infrastructure to bring the commodities they produce to market and to transport inputs and people from island to island. Cox et al. state that “While domestic maritime services are adequate for many parts of the country, more needs to be done for remote areas and to support the movement of goods to markets” (2007:2). The ADB also highlights the significant infrastructural improvements which are needed if economic development is to be encouraged across the country:

Inadequate transport infrastructure and services hinder development of rural areas and outer islands, where income-generating opportunities are scarce. These areas need improved ports, wharves, and jetties, as well as more reliable and affordable shipping services. The country’s road network is also inadequate: out of about 1,800 kilometres of roads, less than 100 kilometres is paved and about 400 kilometres is gravel surfaced (ADB 2011: 242).

Major investments in transport infrastructure planned under the Millennium Challenge Account – which has funded major ring road upgrades on Efate and Santo - will certainly address some of these constraints, but improvement in transport will not be enough to link rural communities with the mainstream tourist sector unless they are integrated with agricultural extension programmes and robust business development training and support.

While recognising the foundational role of customary ownership to the high-levels of food security amongst rural communities, Cox et al. identify ‘subsistence affluence’ as contributing to a ‘cultural constraint’ to economic development. It is noted that many rural ni-Vanuatu prefer to engage in ‘target-work’, “taking on casual labour or other income-earning activity only for as long as required to meet a specific financial target, such as the payment of school fees or the purchase of a single item” (2007: 14). It is argued that this can stymie the kind of productivity needed to make the transition from subsistence to commercial agriculture, and prevent the long-term accumulation and reinvestment of capital needed to maintain and grow a small-scale enterprise.
These issues also have important social and structural dimensions. As Rodman (1989) stated in regards to the development of village fisheries in Vanuatu, the majority of people in villages have very diversified income streams involving subsistence gardens, raising pigs and the sporadic manufacture of copra. As he observes, “Simple commodity producers participate in capitalist markets without necessarily becoming involved in a capitalist mode of production” (1989: 715). Tourism enterprises or commercial small-farming become one out of multiple income streams which are incorporated into a complex hybridisation of traditional social values and priorities, as well as more modern commercial imperatives.

There are instances where rural ni-Vanuatu have shown a strong desire to engage in commercial entrepreneurship, but have been constrained by a lack of government support around issues such as inadequate infrastructure, quality evaluation and monitoring, marketing issues, as well as the dominance of larger, foreign owned competition. The preference for ‘target work’ does not necessarily preclude the introduction of simple commodity economies into rural areas. As de Burlo has perceptively commented, tourist bungalow businesses in Vanuatu are incorporated into “a diverse and shifting range of economic and social activities” (2003: 79). De Burlo suggests small-business development initiatives in Vanuatu would be more successful if they were integrated with these social realities and cultural priorities, particularly ni-Vanuatu peoples’ desire for cultural self-determination. In particular, this involves shifting away from the assumption

... that people are primarily motivated by economic incentives ... social and cultural imperatives may be equally (or more) important. If this is indeed the case, then support for indigenous tourism enterprises must allow for success on local terms (2003: 81).

Employment and Labour Conditions

Both Cox et al. (2007) and the ADB (2009) highlight providing employment and services for a youthful, rapidly growing and dispersed population as a major developmental challenge.

The government has introduced a range of socially progressive labour laws over the past decade, which has included setting a legal minimum wage, establishing compulsory employer contribution at 3 percent of wages to a provident fund, severance and maternity pay requirements, restrictions on employment of expatriate skilled labour and increased localisation by employing a higher proportion of unskilled local labour (Jayarman, 1999: 18). For those who are lucky
enough to find employment in the formal sector, conditions are generally good. However these reforms mean that the cost of labour is now comparatively high in Pacific terms. According to the ADB, the current minimum legal wage is significantly above what is paid in the informal sector. This, along with amendments to the Employment Act in late 2008, has lead the ADB to argue that the cost of ni-Vanuatu labour is now too high, and “will threaten the viability and existence of small businesses, result in increased unemployment, exclude women from the workforce, reduce the competitiveness of the economy, reduce economic growth, and lead to the substitution of capital equipment for labour where such substitution is possible” (ADB, 2009: 11). It should be noted, however, that it was the notoriously poor working conditions and wages, particularly in the hotel sector, that initially motivated these reforms. A 1997 survey carried out on 1026 young people aged between 13-25 in Port Vila found that hotel sector wages were often less than half the minimum wage (Cox et al., 2007: 18). Currently the minimum wage is 26,000 vatu per month (around NZ$346).

Poverty and human development

Overall Vanuatu has made some positive recent gains in human development, although problems – particularly around inequality, income generating ability, urban poverty, youth unemployment and rural deprivation – do persist. Vanuatu has been designated as a UN Least Developed Country since 1995. In 2011 the country’s Human Development Index, a composite measure of life expectancy, education and income, is a rank of 125 out of 187 countries, which is below the average for East Asia and the Pacific. However there have been improvements in some areas of human development in recent years. Life expectancy increased from 65.7 years in 1995 to 70.0 years in 2008, and combined gross educational enrolment (primary, secondary, and tertiary levels) increased from 57.4% to 63.4% (UNDP, 2008, cited in ADB, 2010: 3). Enrolment rates in primary schools have increased significantly due to support from AusAID and the NZ Aid Programme which has covered the cost of fees for all primary school pupils.

Urban and rural poverty

The two major urban centres, Port Vila (on Efate) and Luganville (on Espiritu Santo) are experiencing population growth rates estimated at 4% per year, mainly as a result of increasing urban drift. The social impacts and strain on infrastructure resulting from this urban drift are particularly observable in Port

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1 The key amendments were: (i) an increase in severance pay from 2 weeks to 8 weeks for
Vila, and an analysis of data from the Household Income and Expenditure Survey of 2006 indicated that a new class of urban poor is becoming entrenched in peripheral-urban and urban squatter areas (ADB, 2009: 2). The national poverty gap index is 5.6, which is not particularly high, however the poverty gap index for Port Vila is 10.6, indicating a large difference between the urban rich and poor (ADB, 2009: 4). While the global economic recession had negligible impacts on Vanuatu, more significant for families was the global food crisis of late 2007 and 2008, which affected urban families reliant on imported rice and flour for daily sustenance.

Although poverty is acute in the urban centres, the geographic dispersion of the smaller islands means that rural inhabitants suffer from a “poverty of opportunity”, with “health, education, and transport facilities limited; standards of governance poor; employment opportunities lacking; and income and expenditure restricted” (Cox et al., 2007: 8).

In other respects however, Vanuatu is a wealthy country. As noted in the discussion above, ‘subsistence affluence’ is a term often used to describe life for rural ni-Vanuatu because – excluding the population of Efate – access to high-quality and collectively-owned land is spread fairly evenly throughout the country. The abundance of land means that people can provide for most of their basic food requirements, and the traditional (barter-based) economy is still dominant throughout rural areas. However, there is an increasing need for cash to purchase items such as tea, sugar, kerosene, metal implements, boat, ship or truck transport, as well as essential services such as education and health (Regenvanu, 2009: 30).

**Government expenditure on development**

Although government expenditure has increased significantly in recent years – from 21% to 29% of GDP between 2004 and 2007 – a very small proportion of the budget is used for development (Duncan, 2008: 5). From 2000 to 2004, government development expenditure dropped from Vatu 2.5 billion to Vatu 0.41 billion, while official development assistance rose from US$28 million in 2000 to US$41 million in 2006, and was expected to rise to more than US$45 million in 2008–09 (ibid). Due to the low tax economy established under the Comprehensive Reform Programme, the government has a very narrow revenue base, consisting mainly of import duties and VAT, and duty and recent taxation exemptions for importers has further reduced this revenue (ADB, 2009: 10). The bulk of government expenditure thus goes towards essential service provision and
limited infrastructure development, while the country largely relies on international aid to drive developmental programs.

The generous concessions and incentives offered to overseas investors (see Jayaraman, 1999: 15; Slatter, 2006: 3) as well as the absence of foreign exchange controls (Naitu, 2007: 37) are clearly significant contributors to this state of affairs. Lack of resources combined with a fragmentary political system are therefore significant challenges to the success of long-term development initiatives.

Another challenge to development in Vanuatu is the land tenure system, particularly in terms of protecting customary owners while also allowing for economic development to occur. This deserves a separate discussion after the section on Politics, below.

**Politics**

Achieving an integrated approach to development is somewhat constrained by the character of politics in Vanuatu. Although the political system is based on Westminster-style democracy, political life is still very deeply embedded within traditional cultural norms and values. A report for AusAID notes that “Traditional society is centred on relations of reciprocity between leaders and their communities, and political parties are under constant pressure to deliver direct, material benefits to their constituencies” (Cox *et al.*, 2007: 6). The heterogeneous character of ni-Vanuatu society (the country has the highest density of languages per capita in the world) is reflected in the highly fragmented and fluid nature of the political system. In the 2008 election, 330 candidates from 25 political parties contested for 52 parliamentary seats, and the number of independent candidates was so large that they were not even profiled (Pacific Institute of Public Policy, 2008). The excessive number of minor political parties and independents contesting and winning elections means that forming a government has “become a complex process of negotiation between parliamentary groups, rather than the direct result of national elections”, and no party has been able to form government in its own right since the 1991 elections (ibid).

Coalition governments are often fractious and temporary, with different parties “horse trading” ministerial posts, parliamentary committee positions or parliamentary offices to maintain their hold on power while simultaneously trying to channel as many benefits as possible to their narrow constituencies.
(Morgan, 2004). There were 16 changes of government leading up to the 2003 election, and the fragility of coalition governments has been intensified by the recent increase in independent candidates. As Morgan observes:

*An enduring irony of Vanuatu politics … is that while public criticisms of the fragmented national parliament and the apparent inertia of governments are commonplace, voters have discarded the major parties in favour of locally credible independent candidates or members of smaller parties. It is the increasing presence of independents and smaller parties that has intensified political instability (2004: 45-46).*

An AusAID report puts special emphasis on the “patrimonial and clientistic” character of ni-Vanuatu politics, identifying this as a core developmental constraint and claiming that, “Patronage drives corruption at the highest levels, while leading to chronic ‘short-termism’ that undermines any sustained approach to development” (Cox et al., 2007: ii).

**Land tenure**

In Vanuatu, 98% of land is in communal/customary tenure, and 2% under government ownership (Jayaraman, 1999: 8). As noted by Trau (2012: 154-55), ‘The majority of land outside of the major urban centres in Vanuatu is still managed under local customary tenure systems which are inherently—and to the outsider, incredibly—locally variable and fluid (Cox et al., 2007)’.

Customary tenure in Vanuatu has been subject to similar criticisms which are levelled at all Pacific nations with high proportions of customary ownership over land resources – primarily that it is an anachronism in modern economies and an impediment to long-term foreign investment (e.g. Jayaraman, 1999: 19; Hughes, 2005). While customary land in Vanuatu is certainly not currently being utilised in ways that bring maximum benefits to communities and the government, this is more attributable to the lack of administration, monitoring and legislation of lease deals between communities and commercial investors, rather than a problem with the institution of customary tenure itself.

Particularly on the main island of Efate, foreign entrepreneurs and speculators have taken advantage of this lack of regulation to enter into lease deals which in effect permanently alienate many ni-Vanuatu from their land (Oxfam, 2007; Cox et al., 2007; Stefanova, 2008; Daley, 2009; Simo, 2010):
...everywhere in Vanuatu people are selling their land. Selling their land for ridiculous prices and not following a proper process... (Donor official: March 2011).

Foreign investors have also been reported to take advantage of disagreements over customary ownership, sometimes quickly selling off to third-party buyers and further frustrating disputes over the original sale (Stefanova, 2008: 2).

The issues around customary land ownership in Vanuatu today are very closely tied to the politics of cultural nationalism (kastom) which arose as a political force leading up to independence in 1980. It was the loss of lands during the colonial rule of the French-British condominium that was perhaps the most important factor galvanising the political consciousness that led to the rise of Vanuatu’s independence movement (de Burlo, 1989). One of the first acts after independence in 1980 was to return all lost or alienated land to the rightful custom owners, and the protection of customary land rights has a prominent place in the Constitution. According to Article 73 of the Constitution, “All land in the republic of Vanuatu belongs to the indigenous custom owners and their descendants” (Parliament of Vanuatu, 2005) Importantly, it also states under Article 74 that “The rules of custom shall form the basis of ownership and use of the land in the Republic of Vanuatu” and Article 75 that “only indigenous citizens of the republic of Vanuatu who have acquired their land in accordance with a recognised system of land tenure shall have perpetual ownership of their land” (ibid).

While the constitution was a strong political statement in favour of customary tenure and indigenous rights, the government also sought to accommodate foreign interests. To allow foreign development, in 1995 75-year leases (the life of a coconut palm) were established to allow foreign nationals to ‘buy’ land and develop businesses, generally tourist ventures and holiday homes (de Burlo, 1989). The vast majority of investors taking up leases today are from Australia (Oxfam, 2007: 2), and Vanuatu is now marketed in both New Zealand and Australia as an ideal country for retirement and holiday homes (Cox et al., 2007: 8). 75-year leases are typically granted for a single upfront payment, which can seem very tempting to villagers wanting cash income to pay for health care, schooling and basic items such as clothing and fuel. However, ‘Tragically for most, the acceptance of these seemingly larger lease premiums consequently reduces the amount of annual rent to usually only a few hundred US dollars’ (Trau 2012: 155). Where the law requires that indigenous owners must compensate lessees for any improvements to recover their land at the end of the lease, land is effectively alienated for many generations (Oxfam, 2007; Cox et al., 2007; Daley, 2009). As Daley (2009: 34). writes,
Many land leases have been undertaken without the full understanding of the custom landowners and, while legal, are often unfair. Some entrepreneurs take advantage of locals’ lack of knowledge concerning the value of their land. One of the greatest gaps in awareness is around the fact that in 75 years their land will not be returned unless the costs of developments to the land are paid in full. Most ni-Vanuatu would be unlikely to be able to cover the cost of even a small hotel let alone a luxury resort which has been established on their land.

There is very little land use planning or regulation on behalf of the provincial authorities or central government. Provincial governments are responsible for planning permission, but they tend to focus mainly on generating revenue and therefore have a pro-investor bias (Cox et al., 2007: 9; Regenvanu, 2008: 66; Oxfam, 2007; Daley, 2009). Although the Department of Lands is given a basic advocacy role in negotiating lease deals, communities have the option to deal directly with developers.

As a consequence of inadequate regulation, instances of community confusion and/or abuse of legitimate rights over land sale are prevalent, and result in resurfacing conflict between communities and expatriate residents or businesses over previously alienated land (de Burlo, 1989: 319-320; Oxfam, 2007; Stefanova, 2008; Daley, 2009: 35). In some cases one or two family members have managed to subvert correct processes and to gain recognition as the legitimate landowners, while other members of the landowning group miss out. There are also reports of purchasers illegally being offered exclusive beach access rights, leading to conflict with local villagers who use the beach for subsistence fishing (Cox et al., 2007: 10).

The expatriate controlled real-estate sector has driven a land boom resulting in 90% of coastal land on Efate being alienated. A number of new expatriate housing projects have emerged. Developers are reportedly now increasing their focus on other islands such as Santo and Epi (Cox et al. 2007, cited in Daley, 2009: 35). In some cases they have taken advantage of the passing of the Strata Titles Act of 2000, which has greatly exacerbated alienation – allowing subdivisions of leasehold titles on customary land without requiring landowners’ consent – and this has led to rampant subdivision developments on Efate (Regenvanu, 2008: 65; Daley, 2009: 36). Communities rarely benefit significantly from these transactions.

As mentioned above, a lump payment is made to an individual (usually a chief) and as communities have little knowledge of the property market, land is generally leased to speculators far below fair market rates (Cox et al., 2007: 12; Daley, 209: 35). Cox et al. state that the monies are often quickly exhausted through either conspicuous consumption, or else “individuals are investing the
proceeds into business ventures [such as taxis and minibuses], that, without any support or advice, have little prospect of a return” (2007: 11). Although the real-estate sector is cited as an important element in Vanuatu’s improved economic performance, in reality money generated from the real-estate boom is often taken out of the country. Rent on properties are advertised as generating returns of 8% to 15% per annum, and there are no restrictions on the repatriation of monies realised from the sale, including tax-free capital gains (Professionals Vanuatu, ND).

On Efate, foreign investment properties often enclose the foreshore and block coastal access for communities, and some developments have raised fences and gates to keep indigenous land owners from accessing beaches. This form of development has become a source of tensions between ni-Vanuatu and expatriates, posing a significant threat to social cohesion and stability (Stefanova, 2008: 2).

In response to growing grass-roots opposition to land alienation, the government held a National Land Summit in September 2006. Around 500-600 people attended on its first day, and public interest became so intense over the course of the Summit that not all attendees could be seated (Oxfam, 2007: 3). The National Lands Summit produced a set of twenty resolutions which addressed the major areas requiring reform, and were intended to inform future land policy. A key recommendation of the review that followed the Summit was the promulgation of a national law based on article 76 of the constitution, stating that “it is apparent that many of these early principles have been seriously undermined”, and characterising the years since independence as being “marked not by land policy development, but by land policy decline” (Lunnay, Fingleton, Mangawai, Nalyal & Simo, 2007: 4). As stated by the Review:

*Land Summit was held in 2006 which established key resolutions, and a land reform process is underway.*

*There is ineffective regulation of land dealings, failure by the Government to protect the interests of the public and customary owners, poor or non-existent enforcement of regulations, incorrect interpretation of government legislation and a lack of defined responsibilities for numerous administrative activities that should be undertaken to ensure adequate and appropriate management and administration of land (Lunnay et al., 2007: 30).*

The increasing dislocation of ni-Vanuatu from their land has generated serious social tensions, and the uncertainty surrounding land issues has both damaged
investor confidence, as well as generated conflict between locals and expatriate residents that could potentially spill over into the tourism industry.

Some of the key resolutions from the Summit included:

- Land in Vanuatu is owned by groups (tribes, clans or families) not individuals, and all members of a traditional owning group (male and female) must be involved in decision-making about their land.

- If there is strata title, the landowners must have the right to approve it and receive benefit from it.

- There must be public access to the ocean and also the custom owners and the public must be able to use the area from the high water mark to the end of the reef.

- That the authority over final approval for land sales should be removed from the Ministry of Lands and invested in an independent committee or national land court.


Although the Malvatumauri (Council of Chiefs) had called for a moratorium on all land leases, the government agreed only to place a temporary moratorium on new subdivision applications, and to suspend the Minster of Lands’ power to enter into leases on custom land that was under dispute (Oxfam, 2007: 3). Oxfam states that although the Summit resolutions accurately reflected the main concerns of the majority of ni-Vanuatu regarding land, there is little confidence that they will be translated into effective policy (2007: 3). Several years on from the Summit, the land reform process (Mama Graun) is still underway, and some commentators have questioned whether it reflects the intent of the resolutions – to enhance the control and flow of benefits over land to customary landowners (Daley, 2009; Simo; 2009). AusAID has had central involvement in the reform process, recently providing A$9 million funding under the Vanuatu Land Program, which aims to enhance the capacity for “participative land governance” (cited in Daley, 2009: 37). A major problem at the moment is lack of awareness and information, and this is something Mama Graun is also attempting to address:
A big (focus) of the land program [Mama Graun] is to make sure that people understand what the processes are, what your rights are. So if someone comes up to you and offers you a large sum of money to build a resort on your land, what questions do you ask first of all? And who is accountable after that? What’s the role of the Department of Lands? Who is responsible for doing an EIA? Just getting that all straightened out (Donor official: March 2011).

Concerns remain, however, that both donors and commercial interests are exercising too much influence over the process, and the government will continue to prioritise the interests of investors over landowners. As Joe Simo, Director of the Vanuatu Cultural Centre and a long time advocate of land reform, has written:

… corrupt practices are widespread within the Lands Department and political elite – and there appears to be a lack of political will to address this problem. This puts into question the real intentions behind the acquisition of land for “development” … All of this makes one question both the letter and the spirit of the government’s land tenure reform program that is jointly funded by AusAID and NZAID. Despite all their rhetoric about “socially responsible” and “sustainable” development, there is strong support from AusAID and NZAID for this shift in land tenure practices that facilitates investors, developers and real estate speculators to buy or stake a claim on much of the land in Vanuatu (2009: 42-43).

Summary

This section has discussed the political and economic context in which development is played out in Vanuatu, highlighting both economic and social progress the country has made in the past decade but also noting a number of significant constraints to equitable development. The difficulty of spreading development benefits across widely dispersed islands and diverse cultural groups have been highlighted, along with the challenge of supporting indigenous entrepreneurs. In addition, land tenure and the terms through which economic development can occur on customary land, is a significant concern which links directly to the tourism industry and prospects for spreading the benefits of tourism. The following section explicitly discusses tourism development in Vanuatu.
3. TOURISM DEVELOPMENT

In 2010 Vanuatu received 237,568 tourists, around one tourist for every person in the country. Over the previous decade the size of the tourism sector grew significantly, with a particular explosion of cruise ships bringing day visitors.

Vanuatu possesses a number of features that mark it out as an attractive destination for tourists. The country boasts a striking array of natural and cultural attractions – diverse cultural groups, active volcanoes, white and black sand beaches, pristine coral reefs, shipwreck dive-sites and French cuisine – which opens the country both to mainstream tourist markets as well as diverse niche markets and demographics. The strong sense of cultural nationalism and loyalty to kastom – a modern synthesis of various beliefs, values and customs perceived as traditional – has articulated positively with what Urry (2002) identifies as western desires for ‘authenticity’ and ‘otherness’ in their touristic experiences. Aside from the strength and vibrancy of the traditional cultures, one of the greatest assets the country has is the warmth of its people. In 2006 Vanuatu was named the happiest place on earth on the Happy Planet Index, a global survey compiled by the New Economics Foundation and the Friends of the Earth (BBC, July 10 2006). Although the award was controversial both inside and outside Vanuatu, there is no doubt it has benefitted the tourism industry, and the country was again named world’s happiest place in 2010 by Lonely Planet (Lonely Planet, May 23 2010).

International tourism is central to the sector in Vanuatu. Australia dominates arrivals to Vanuatu accounting for 66 percent of the market, followed by New Caledonia (13 percent), New Zealand (9 percent), Europe (5 percent) and then North America (2 percent). Vanuatu has quite a high level of repeat visitation, an indicator of visitor satisfaction: according to the 2004 Vanuatu Visitor Survey of those who come on holiday approximately 29 percent are repeat visitors (cited in Trip Consultants, 2008: 21). Local residents also travel considerably around the archipelago for a variety of purposes including visiting friends and relatives, business and holidays. The most recent estimate is that domestic tourists number around 67,250, or 22% of the overall market (Table 3). It is hoped that in future a simple visitor survey administered via provincial airports will help to collect accurate data on domestic tourism (Adela Aru, Department of Tourism: March 2011).
Box 1 provides a brief description of key institutions, both public and private sector, working in the tourism field in Vanuatu.

**Box 1: Key Institutions in the Vanuatu Tourism Sector**

DOT - Department of Tourism, is responsible for policy and planning regarding tourism development and developing the country as an attractive destination for tourists. DOT has offices in each of six provinces.

Department of Lands – has a vision ‘to manage land in a sustainable manner and ensure progress with equity and stability’.

Department of Cooperatives and Ni-Vanuatu Business Services – has a vision ‘to create, improve and sustain Ni-Vanuatu Business so that they are able to compete effectively domestically and internationally’

VNSO – Vanuatu National Statistics Office, collects and collates figures on visitor arrivals.

VHRA – Vanuatu Hotel and Resorts Association, uses membership fees to fund marketing activities. They also provide a private sector voice in discussions with government and others on tourism development.

VTO – Vanuatu Tourism Office, is charged with the marketing of tourism.

VTOA – Vanuatu Tour Operators Association, coordinates the marketing of tours of members, and has a Code of Conduct which members abide by – this covers safety as well as respect for culture and environment.

VIBTA – Vanuatu Island Bungalow and Tourism Association, has a focus on promoting tourism beyond Efate and developing tourist services on offer in the outer islands.

VIPA – Vanuatu Investment Promotions Authority, has a mission to ‘facilitate, promote and foster foreign investment in Vanuatu and to generate greater economic prosperity for the people of Vanuatu’.

The following section discusses the rapid growth of the tourism sector in Vanuatu, including reflection how the very uneven nature of tourism sector growth could be detrimental to the country. It explains what plans and strategies the government has for the sector, showing the government is attempting to spread the benefits of tourism more widely via a new marketing campaign and other initiatives. Finally, there is a separate discussion about the booming cruise tourism sector, revealing both the potential and limitations of development of this sector.
Tourism growth and significance

While agriculture remains the backbone of Vanuatu’s economy, it has been the recent boom in tourism arrivals and the downstream effect this has had on connected sectors which has fuelled the favourable levels of economic growth experienced over the past decade (ADB, 2009; Duncan, 2008). Between 2003 and 2008 tourism arrivals rose 60%, and tourism is now the key driver of the economy contributing approximately 20% of GDP since 2006 (Government of Vanuatu, 2011). Other connected sectors which have also contributed significantly are construction (15.7%) – which is sometimes tourism-related construction, the wholesale and retail sector (12.4%), and the real estate and financial services sector (11.2%) (ibid). The annual tourist arrival growth rate of 7.86% between 1999 and 2008, is the second highest in the South Pacific region (see Scheyvens & Russell, 2009: 6). Tourism is now more important for the Vanuatu economy than for any other country in the region, with the WTTC noting that Vanuatu ranks 8th in the world for contribution of tourism to the national economy (Table 1).

Table 1: Travel and Tourism’s Direct Contribution to GDP in Vanuatu

<table>
<thead>
<tr>
<th>Country</th>
<th>2011 % share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maldives</td>
<td>30.80</td>
</tr>
<tr>
<td>Seychelles</td>
<td>22.99</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>19.36</td>
</tr>
<tr>
<td>Mauritius</td>
<td>14.41</td>
</tr>
<tr>
<td>Fiji</td>
<td>9.99</td>
</tr>
<tr>
<td>World Average</td>
<td>5.12</td>
</tr>
<tr>
<td>Kiribati</td>
<td>5.07</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3.82</td>
</tr>
<tr>
<td>Tonga</td>
<td>3.75</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>3.69</td>
</tr>
<tr>
<td>Australia</td>
<td>3.30</td>
</tr>
</tbody>
</table>

Source: WTTC (2011)

Box 2 further summarises just how significant tourism is for the Vanuatu economy, while also providing predictions for sustained growth for at least the next decade. Growth in arrivals has a direct impact on employment in the tourism sector, which currently directly provides around 11,000 jobs, accounting for 16.8% of total employment (see Box 3).
Box 2: Key economic indicators regarding tourism growth in Vanuatu

**GDP: Direct Contribution**
The direct contribution of Travel &Tourism to GDP is expected to be VUV15,074.7mn (19.4% of total GDP) in 2011, rising by 5.1% pa to VUV24,754.9mn (21.5%) in 2021 (in constant 2011 prices).

**GDP: Total Contribution**
The total contribution of Travel &Tourism to GDP, including its wider economic impacts, is forecast to rise by 5.2% pa from VUV41,820.2mn (53.7% of GDP) in 2011 to VUV69,668.9mn (60.5%) by 2021.

**Employment: Direct Contribution**
Travel & Tourism is expected to support directly 11,000 jobs (16.8% of total employment) in 2011, rising by 4.1% pa to 17,000 jobs (18.8%) by 2021.

**Employment: Total Contribution**
The total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, is forecast to rise by 4.2% pa from 32,000 jobs (47.7% of total employment) in 2011 to 49,000 jobs (54.0%) by 2021.

**Visitor Exports**
Travel & Tourism visitor exports are expected to generate VUV26,394.6mn (70.3% of total exports) in 2011, growing by 6.9% pa (in nominal terms) to VUV38,506.3mn (71.8%) in 2021.

**Investment**
Travel & Tourism investment is estimated at VUV4,942.0mn or 27.9% of total investment in 2011. It should rise by 5.9% pa to reach VUV8,786.9mn (or 33.7%) of total investment in 2021.

Source: WTTC (2011:3)

Note that in the WTTC’s figures in Box 2, both in the case of GDP and employment, a ‘direct contribution’ is contrasted with a much larger ‘total contribution’ (Figure 2). The latter includes indirect contributions (from tourism sector investment, government tourism spending, and purchases from suppliers), as well as induced contributions (such as tourism sector employees using their income on food, housing, transport, healthcare and so forth). To provide an example of the importance of these broader contributions, it is estimated that the dual resorts of Iririki and the Grand hotel put 30-40 million vatu (half a million dollars) back into the local economy on a monthly basis via payments for electricity, water, and other expenses (Fahad Hayat, Manager at The Grand and Iririki Resort: March 2011).
Key factors contributing to the recent tourism growth in Vanuatu include:

- a more concerted effort by the Vanuatu government to market Vanuatu as a major Pacific holiday destination
- improvements in key infrastructure such as the ports and airport infrastructure and transport infrastructure
- Vanuatu becoming a signatory in 2003 Pacific Islands Air Service Agreement under the Pacific Islands Forum, which increased the number of airline services from 1 to 3 (Pacific Blue, Air New Zealand and Solomon Airlines)
- political instability in competitor destinations: specifically Fiji and Bali (Trip Consultants, 2008: 9-10; Duncan, 2008: 9).

Arrivals in Vanuatu by air rose from 50,400 in 2003 to 81,345 in 2007. Over the period between 2007-2008 when tourism around the world was influenced by the Global Financial Crisis, tourism arrivals achieved a very positive growth rate of 11.4%, against a Pacific regional average of 3.3%, with arrivals by air hitting the 100,000 mark in 2009 (Table 2). A slight decline in air arrivals in 2010 and 2011 is blamed partly on the recovery of Fiji as the South Pacific’s tourism destination of choice. In terms of cruise ship arrivals, apart from a dip in 2004, cruise tourism shows an even sharper increase in the past decade than for arrivals by air: by 2006, arrivals by sea surpassed arrivals by air and this trend has continued. Visitors arriving by cruise ship essentially doubled in the four years between 2005
and 2009. Given continued increases in the number of cruise ships calling into Vanuatu ports (see Figure 3 in section 3 of this report), a drop in cruise passenger arrivals in 2011 according to official statistics is somewhat surprising.

Table 2: Vanuatu Tourism Arrival Figures 2001-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourist Arrivals (Air)</th>
<th>Tourist Arrivals (Cruise Ships)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>53 300</td>
<td>52 758</td>
</tr>
<tr>
<td>2002</td>
<td>49 463</td>
<td>45 832</td>
</tr>
<tr>
<td>2003</td>
<td>50 430</td>
<td>51 995</td>
</tr>
<tr>
<td>2004</td>
<td>60 611</td>
<td>30 961</td>
</tr>
<tr>
<td>2005</td>
<td>65 910</td>
<td>61 414</td>
</tr>
<tr>
<td>2006</td>
<td>70 250</td>
<td>85 922</td>
</tr>
<tr>
<td>2007</td>
<td>81 345</td>
<td>85 737</td>
</tr>
<tr>
<td>2008</td>
<td>90 654</td>
<td>106 138</td>
</tr>
<tr>
<td>2009</td>
<td>100 652</td>
<td>124 818</td>
</tr>
<tr>
<td>2010</td>
<td>97 180</td>
<td>140 468</td>
</tr>
<tr>
<td>2011</td>
<td>93 960</td>
<td>124 818</td>
</tr>
</tbody>
</table>


To place some of the above data in comparative perspective, Fiji, the largest tourism destination in the South Pacific, received 539,225 arrivals in 2007, and generated NZ$642.5 million in foreign exchange in 2008 (see Scheyvens & Russell, 2009: 3, 6). In 2003 the total number of beds in Vanuatu was 2,370, compared to Fiji’s 14,927 (SPTO, 2005). To make a very crude estimation, this would indicate that the tourism industry in Vanuatu is approximately one fifth to one sixth the size of that in Fiji. While tourism in Vanuatu has achieved much higher growth rates than Fiji, it has also begun from a much smaller basis, and industry development can still be characterised as nascent. Despite rapid industry growth, name recognition of Vanuatu as a Pacific holiday destination in New Zealand and Australia has only recently improved, after years of the market being dominated by more established destinations like Rarotonga (Cook Islands) and Fiji.

A tourism baseline survey and a follow up survey conducted in association with Millennium Challenge Account investments in Vanuatu have provided some novel data on the level of income currently being generated through tourism in the country. According to this survey, total tourism expenditure in Vanuatu in
2007 was estimated to be approximately VNV 17.9 billion (NZ$270.2 million) of which VNV 14.9 billion (NZ$214.2 million) is by international tourists (Trip Consultants, 2008: 8-9); overall tourist expenditure had increased to VNV 20.66 billion vatu by 2010 (Trip Consultants, 2011: 16). The follow up survey completed as part of this project also highlighted noteworthy levels foreign exchange leakage which are characteristic of South Pacific tourism where most countries have small and relatively narrow economic sectors, and where heavy foreign ownership of key tourism infrastructure and businesses is the norm. While repatriation of salaries to expatriate employees and profits to overseas investors is only around 3% of gross revenues from tourism, it is estimated that about 29% of tourism revenues are currently being used to bring in goods and services from overseas for normal operations (Trip Consultants, 2011: 27). The final survey estimated the average length of stay of different tourist segments, revealing that even though cruise arrivals have significantly overtaken international air arrivals, the latter make a much bigger contribution to the economy because of the length of their stay (see Table 3). Thus 50.6% of tourist expenditure is by tourists who arrive by air, 15.2% by cruise tourists, and 14.6% by domestic tourists. The remainder is accounted for mainly by agents on behalf of tourists (Trip Consultants 2011: 16).

Table 3: Estimates of Tourists, Length of Stay, Average Daily Expenditure and Total Expenditure

<table>
<thead>
<tr>
<th>Tourist segment</th>
<th>Tourist Arrivals</th>
<th>Average length of stay (days)</th>
<th>Average Daily Expenditure (Vatu)</th>
<th>Estimated Total Direct Expenditure (Vatu Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Air</td>
<td>97,180</td>
<td>8.0</td>
<td>13,456</td>
<td>10.461</td>
</tr>
<tr>
<td>Cruise Ship</td>
<td>140,468</td>
<td>1.0</td>
<td>21,446</td>
<td>3.142</td>
</tr>
<tr>
<td>Yacht</td>
<td>327</td>
<td>37.5</td>
<td>5,965</td>
<td>0.279</td>
</tr>
<tr>
<td>Domestic</td>
<td>67,250</td>
<td>9.39</td>
<td>4,763</td>
<td>3.008</td>
</tr>
</tbody>
</table>

Source: Trip Consultants (2011:15)

Such data has captured the interest of donors, who are keen to support activities that will grow the economy in Vanuatu and provide employment opportunities. Donors have worked to support the plans of the Department of Tourism, investing in several tourism-related ventures in recent years, both large and small:

- The Millennium Challenge Corporation provided US$65 million over 5 years to upgrade transport infrastructure, in particular, funding resealing
and upgrading of two major roads around Efate and Santo: one of the sectors to benefit from this is tourism, as improved transportation enhances opportunities for tours, sale of agricultural produce to restaurants, etc.

- The Australian government’s Enterprise Challenge Fund provided A$805,000 to the Carnival Australia cruise company to provide environmentally friendly toilet facilities at several stopover areas in Vanuatu and to provide training and technical support for local traders to increase their income from tourism, including establishing tour routes and signage. This fund is part of a public-private partnership with dollar for dollar matched funding from Carnival.
- AusAID provided A$500,000 to support the VTO with a marketing and branding campaign.
- AusAID has funded TVET (Technical Vocational Education and Training Programme), which delivers vocational training to bungalow owners, tour operators and others in the provinces.
- AusAID and the NZ Aid Programme have brought business mentors to Vanuatu.
- The NZ Aid Programme has entered into a Joint Commitment for Development with the Government of Vanuatu which identifies comprehensive support for tourism sector development (Appendix 2).
- The NZ Aid Programme in 2012 were in discussions with the Government of Vanuatu about supporting improvements to tourist and public facilities alongside the Port Vila waterfront and cruise ship wharf.
- VSA (New Zealand) have since 2009 supported 10 volunteer assignments whereby volunteers (all experienced tourism operators) have worked in a longer term capacity in the Provincial Tourism Offices (Johnston et al. 2012: 12).
- The European Union has funded the creation of provincial tourism plans and provincial tourism centres which provide resources and information, and has supported skills enhancement in the tourism sector.
- There is ad hoc support for tourism initiatives via Head of Mission and small project funds (NZ High Commission and others).

Nevertheless, Cheer and Peel (2011: 253) contend that ‘foreign aid interventions in tourism in Vanuatu have largely been reactive, piecemeal and ad hoc’. Interviews with donors in Port Vila revealed their reluctance to commit to aid for tourism when, firstly, there was a lack of evidence of the benefits of this (with perceptions that the ‘hype’ about tourism could not be substantiated in terms of outcomes), and secondly, the feeling that tourism enhanced inequities, as seen in the following quote:
Donors are reluctant to support an industry that is dominated by foreigners, for foreigners. Our assessment of tourism is that it provides low paid, low skilled jobs for ni-Vanuatus. Managers and operators are almost always foreign. Apart from anecdotal evidence, there is little to substantiate that tourism is benefiting ni-Vanuatu. This is the main concern for donors. We don’t want to be lining the pockets of the private sector necessarily (Donor quoted in Cheer and Peel, 2011: 260).

Geographical dispersal & uneven development of tourism

Two key impediments to tourism growth in Vanuatu and to spreading the benefits of tourism more widely are the geographic dispersal of the 83 islands, and inadequate tourism infrastructure, especially in the outer islands but also on Efate. Tourism is concentrated on the island of Efate, especially in the vicinity of Port Vila, with 79 percent of tourists who arrive by air only visiting this island; only 15 percent of visitor nights are spent outside of Efate (Trip Consultants, 2011: iii, 15). It is important to note here, however, that two-thirds of visitors who come to Port Vila do explore other parts of Efate (Trip Consultants, 2011: 20). Nevertheless, over 70% of tourism expenditure is devoted to accommodation, shopping and dining which, due to a lack of appropriate infrastructure in most rural areas, take place mainly in urban centres (Verdone and Seidl, 2012: 13). This leads Verdone and Seidl to lament the weak linkages between urban tourists and rural communities as revealed in tourism expenditure data, especially given ‘...the degree of dependence of the industry on rural stewardship of natural and cultural resources’, these resources being key features which draw tourists to Vanuatu (2012: 13).

Although there are popular attractions on other islands, one survey found that “tourists who only visited the main island of Efate were deterred from visiting outer islands because of high airfares and also a lack of knowledge of the experiences that were on offer” (Cassidy, Brown & Prideaux, 2006: 175). Tanna and Santo are the most popular destinations for tourists moving outside of Efate, attracting 10.8% and 9.8% of visitors respectively, compared with only 5.6% of tourists visiting any of the other islands in Vanuatu (Trip Consultants, 2011: 24). Attempts are being made to encourage tourists to visit outer islands, as will be discussed below.
Duncan provides a rather pessimistic assessment of the potential for sustained growth of the tourism industry in Vanuatu (which he compares with the Solomon Islands), commenting that “The high cost of services and transportation within the countries will keep their resorts small and prevent rapid expansion” (Duncan, 2008: 9). It can, for example, cost more to fly from Port Vila to Tanna to visit the active volcano there than to fly from Port Vila to Brisbane. Accommodation is also an issue. In their Vanuatu Economic Report (2009: 16), the Asian Development Bank emphasises that while “Tourism offers the best prospects for employment growth in the medium term ... in the short to medium term, growth in visitor numbers, other than those from cruise ships on day visits, might be limited by accommodation shortages on Efate.” Additionally, a study looking at specialisation in tourism industries across the Pacific notes that Vanuatu has not managed to grow niche markets at a significant rate (Brau, Lanza & Pigliaru, 2003: 11).

Provincial tourism is predominantly focused on the adventure market for the active Yasur volcano on Tanna, scuba diving on the wreck of the S.S. Coolidge on Santo, and land diving on Pentecost. While there have been attempts to develop other adventure tourism products, such as village life culture, jungle treks, mountain climbs and alternative scuba dive sites, in the absence of appropriate infrastructure and accommodation, or targeted promotional campaigns, most of these initiatives have failed to grow (Bazeley & Mullen, 2006). Another option for tourism in the provinces are the cruise ships which stop at some peripheral sites (see separate section below), and yachts which often venture to the most remote islands in the archipelago.

Infrastructural improvements are currently being implemented, partly to facilitate free movement of tourists around the country. As noted above, the US$65 million from the Millennium Challenge Corporation (MCC) is targeted at reducing rural poverty through transport infrastructure development. The MCC states:

...by focusing on one of the principal factors constraining private sector development and access to social services, namely poor roads, wharves and airstrips in the outer islands, the program intends to reduce the transport costs of doing business in Vanuatu. By reducing transportation costs, the program expects to stimulate agricultural and tourism activity in the rural and outer islands, thereby contributing to the program goal of increasing incomes (MCC, cited in Trip Consultants, 2008: 7).
Government plans and strategies for tourism development

Like many other Pacific nations, tourism growth in Vanuatu has occurred in a highly liberalised economic environment, and development policy has been heavily influenced by aid donors and various international political and financial institutions. Following an initially cautious attitude to large-scale tourism development in the years following independence in 1980, a change in Government in 1995 saw the promulgation of the first integrated national approach to tourism development, the Tourism Development Master Plan, which was drafted by the United Nations Development Program and World Tourism Organisation (UNDP/UNWTO) (Naitu, 2007: 39).

The Plan sought to balance the rapid facilitation of foreign investment with a desire to protect and sustain indigenous culture, and while it was primarily focused on the development of large, upscale resorts it also provided some provisions for small and medium-scale ni-Vanuatu ownership of tourism businesses – as explained below (Vanuatu Department of Tourism, 2003). Core elements of the Tourism Development Plan were the division of the country into 3 key “tourism precincts” – Port Vila, Luganville and Tanna – and a focus on facilitating investment in these precincts by making prime beach and reef land available to developers, creating tax incentives for investors, as well as establishing a central investment promotion organisation (Slatter, 2006: 3). Although the scale of resort development envisaged by the Plan did not occur, other elements of the Plan were implemented as part of the ADB-directed and financed 2 Comprehensive Reform Programme (CRP) which commenced in 1997. The CRP continues to frame tourism development policy, both through a redraft in 2003, and also through the government Vanuatu Tourism Action Programme (VTAP) (Government of Vanuatu, 2005).

Encouraging foreign investment

A key piece of legislation passed as part of the CRP was the Foreign Investment Promotion Act, which formally established the Vanuatu Investment Promotion Authority (VIPA) to “expeditiously facilitate, promote and foster foreign

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2 The CRP was supported directly by the ADB through a US$ 25 million loan, and its progress was been monitored against the program matrix established with the ADB as part of the loan process (UNDP, 2004: 3).
investment in Vanuatu” (VIPA, 2005). VIPA was established to formulate a more transparent and open investment environment as well as faster processing of investment applications (Naitu, 2007: 41). Under the Government’s National Investment Policy (VIPA, 2005: 5) the current objectives for the tourism sector are:

To promote the industry as a means of conserving Vanuatu’s unique cultural patterns, archaeological and historical sites, and the natural environment;

To develop tourism so that it attracts the range and quality of tourists who appreciate the culture and the environment of the country and are willing and able to move beyond Port Vila;

To expand and ensure an effective government organisation with adequate resources for tourism planning, development and marketing, essential for the continued development of the industry in Vanuatu; and

To allow sufficient flexibility of foreign investment where large amounts of capital are needed or when specialised operations or skills are necessary in order to offer variety in tourism attractions that currently do not exist. Examples might include theme parks, dolphin parks, dolphin therapy (for health,) sea world, etc.

Thus VIPA’s role is to promote a pro-investment climate. As part of the Foreign Investment Promotion Act, Vanuatu has an “open regime” policy, whereby foreigners enjoy the same rights and are subject to the same obligations as nationals (Naitu, 2007: 41). However, there is some protection of economic and employment opportunities for ni-Vanuatu, as discussed below.

There has been considerable investment in tourism in 2011-2012, with a new 100 bed hotel under construction at Lagoon no.1 and the refurbishment of Le Lagon resort. The highest occupancy rates, however, are being experienced by the smaller boutique resorts such as Eratap (Bryan Death, investment advisor and Vice Chair of VHRA: June 2012).

**Efforts to enhance local participation in tourism**

While the emphasis is on creating a high degree of flexibility for direct foreign investment, the Foreign Investment Promotion Act also provides legislation designed to enhance local participation, and prevent foreign takeover of the industry. A number of small and medium sized enterprises are designated as
‘Reserved Investments’, ownership of which is restricted to ni-Vanuatu investors in the tourism sector (VIPA, 2005: 6). These include taxi and bus services, and some tour agents/operators and guesthouses/bungalows, specifically:

- Local tour agents if the annual turnover is less than VUV 20 million;
- Local tour operators if the investment is less than VUV 50 million;
- Commercial cultural feasts (Melanesian, Polynesian etc.)
- Guest houses if the number of beds is less than 50 or less than 10 rooms or the annual turnover is less than VUV 20 million;
- Bungalows if the annual turnover is less than VUV 30 million;
- Hotels and motels if the total value of the investment is less than VUV 10 million.

In reality, specific efforts by the government to assist rural dwellers to establish economic enterprises, such as bungalows, have faced a number of challenges (Box 3).

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**Box 3: Challenges to promoting rural business: the case of tourist bungalows**

The government initiated a rural bungalow programme to encourage more ni-Vanuatu to set up small-scale bungalow businesses, with a view to spreading the benefits of tourism beyond Efate and to draw more rural ni-Vanuatu into the industry. After active promotion by the Provincial Councils, many ni-Vanuatu built bungalows using their own resources. However, the viability of these small-scale businesses was limited by infrastructural problems such as inter-island transport constraints, lack of standards, inadequate marketing support, as well as the market dominance of wholesalers in the outer islands. Furthermore, the copycat effect meant that bungalow beds were doubled or tripled in some locations in a short period of time, without a parallel growth in numbers of tourist arrivals: on Ambae, it grew from 9 bungalow beds in 2007 to 252 beds in 2012 (Johnston et al. 2012: 37).

After these initial failures, an association of bungalow operators, the Vanuatu Island Bungalow Association (VIBA) was formed independent of government. It had a marketing arm called Island Safaris, funded by donors including NZ and the European Union. As Slatter states, “Although these two organisations operated with some initial success, competition from foreign-owned operators combined with management difficulties eventually saw them fall into disarray” (Slatter 2006: 7). The initiative was resurrected as the Rural Tourism Development Program, which involves the coordinated efforts of the VIBA, the National Tourism Organization, the Chamber of Commerce, as

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3 See section below on ‘Efforts to enhance local participation in tourism’, which explains reserved investments.
well as Vanair, the domestic airline. Unfortunately, there is no publically available information on how well the Program met its goals (Slatter 2006: 6-7).

In 2008, the Department of Tourism re-established VIBA as the newly named Vanuatu Island Bungalow and Tourism Association, which again gained financial support from the European Union. VIBTA has encouraged more tourists to explore the country outside of Port Vila, and has helped to develop outer island tourism products and improve the level of service offered. In doing this, they have worked in association with DOT (Johnston et al. 2012:11). During the data collection period for this research, however, respondents were unable to report on recent VIBTA initiatives, indicating that they might not be very active currently.

In theory, the reserved businesses mentioned above are restricted solely to ni-Vanuatu investors, and the act states that only citizens of Vanuatu and companies that are “wholly controlled by persons who are citizens of Vanuatu or have all of their shares owned or controlled by persons who are citizens of Vanuatu” may own or be employed within such enterprises (VIPA, 2005: 6). However, critics argue the government’s open regime policy effectively circumvents the desired purpose of this law, and that foreign investors are able to routinely bypass the Act (Naitu, 2007: 41-42; Slatter, 2006: 4-7). As Slatter argues,

In reality, not only are these regulations often flouted, there is also a widely held misconception that the reservations limit participation in these areas to ni-Vanuatu rather than to Vanuatu nationals, including naturalised citizens. The misconception appears to be shared by trade officials, and even the CEO of VIPA interchangeably uses the terms ‘ni-Vanuatu’, ‘locals’ and ‘citizens’ when discussing reserved industries and occupations, although the Act is unequivocal in its reference only to ‘citizen/s’ (2006: 5).

The Foreign Investment Promotion Act has resulted in an obvious gap, with foreigners investing in the large developments, and ni-Vanuatu in the small initiatives (Willie Sacksack, VIPA: March 2011). Simultaneously there has been no focus on joint ventures. Willie Sacksack admitted that the VIPA office staff are overstretched and do not actively seek to encourage joint ventures, and he also acknowledged that because some ni-Vanuatu have had bad experiences with foreign investors in the past, they might not trust outsiders as partners in a business ventures. On the other hand, one donor was very positive when considering the potential value of joint ventures:

A really good outcome for the sector could be collaboration. If it is done well, there are so many benefits to it, in terms of linking local knowledge, and
systems, and contacts...with funding and knowledge of target markets...that a foreign investor can bring. It [a joint venture] is challenging, but that is the reality of any partnership business (Ben McKenzie, NZ High Commission).

The notion of support for ni-Vanuatu being both participants in and beneficiaries of tourism is clear in the following principles and vision of the Department of Tourism (Box 4). However, there is little official recognition of the potential clash between some of these principles (such as local empowerment, sustainability and increased local ownership) and the discussion in the previous section on the way in which foreign investment has been encouraged.

**Box 4: Department of Tourism Vision and Planning Principles**

**Vision**
“Tourism celebrates Vanuatu’s culture and environment, empowers its people and captivates its visitors throughout the islands”

**Principles**
*To encourage development that:*

*Is sustainable and delivers economic, social and environmental benefits for the people of Vanuatu*

*Engages local communities and provides opportunity for increased participation and ownership of tourism businesses by Ni-Vanuatu across all the islands of Vanuatu*

*Is built on a partnership between government and private sector and provides an encouraging environment for both local and foreign investment*

*Is based on eco-tourism products that delivers a high quality visitor experience and satisfaction and*

*Upholds the reputation of the country as the most friendliness [sic] destination in the Pacific and “Happiest Place on Earth”*

Source:

While there are definitely efforts to enhance local participation in tourism, other initiatives, such as an interest in adopting an accreditation system for tourism accommodation, could actually undermine such businesses (Box 5).
Box 5: Is accreditation the best way to improve the quality of ni-Vanuatu businesses?

The Department of Tourism has been considering the introduction of minimum standards for tourism enterprises, especially small ni-Vanuatu ones like bungalows, and an associated accreditation system. While offering a good standard of accommodation and service to tourists is of course important for the country’s tourism image, there was not overwhelming support from donors for accreditation.

As one noted, ‘My fear of accreditation is that it actually disadvantages ni-Vanuatu business...because to get accredited you probably have to do a whole lot of things which will cost you...’ (Alex Matheson, Oxfam in Vanuatu: March 2011), while another also pointed out that accreditation systems are very costly to operate and many different schemes around the world have not been successful (Ben McKenzie, New Zealand High Commission: March 2011).

Focus on development of peripheral tourism

In the absence of a more recent unified and cohesive government tourism development strategy, a number of private sector organisations have developed discussion documents on how the industry might develop into the future. One such document – with a particular focus on tourism strategy and policy – was produced by David Miles, a technical advisor for Airports Vanuatu Limited. He argues:

There is no strong definition (either in a policy sense or in an investment sense) of what tourism product Vanuatu should be vigorously developing.... There is increasing evidence that niche marketing to adventure, eco and back-packer tourists has significant potential to deliver broad-based benefits to Vanuatu. These tourists tend to stay longer and spend more money, particularly outside of the major centres.... Clearly an objective should be that at least half of the visitors travel to the outer islands and ideally up to half of the bed nights are spent there (AVL, 2007, cited in World Bank, 2008: 126-127).

Indeed, although past tourism strategy documents prioritised the need for growth of sustainable forms of tourism that benefit peripheral areas, there was little evidence of any substantive planning on how to achieve this. Formulating and implementing peripheral tourism planning is a very challenging issue, which needs to take into account both the specific cultural context of each locality and the land situation, as land disputes can make the implementation of planning complex. These are problems which require an integrated approach to tourism
development – one which continues to grow resort style tourism on Efate while marketing for niche tourists and increasing the infrastructural capacity on the outer islands. As a recent World Bank report argued:

Resort-based ‘mass’ tourists will remain fundamental to the industry’s survival but these visitors may be encouraged to spend a day or two gaining new experiences in outer islands and spending money outside the capital region. At the same time, the yield of niche tourists can also be enhanced through better infrastructure and an improved array of experiences (World Bank, 2008: 127).

Targeted support for the development of tourism on outer islands has improved since 2010. One important initiative is the plan to establish Tourism Centres in each province to house an information centre and provide offices for provincial tourism officials. Two such centres have already been built with funding from the EU and others are underway. Tourism Master Plans are also being developed for each province, and New Zealand volunteers (VSAs) on two-year placements are based in each province (Nichol 2011). Australian and New Zealand business mentors are being provided to assist with tourism businesses for shorter periods in a number of locations. Meanwhile the Vanuatu Island Bungalow Tourism Association (VIBTA) has been re-established, to ensure there is an association to support the owners of small-scale tourism accommodation, which tends to dominate in the provinces. There is recognition that more could be made of the opportunities for people in remote locations provided by independent yachties sailing around the islands: a strategy on yachting is planned (Adela Aru, Department of Tourism: March 2011). Underpinning this support for provincial tourism is the country’s new Discover What Matters brand, which encourages tourists to adventure out beyond their resort door. This branding and associated marketing was partly funded by AusAID.

**Cruise tourism**

This section on Tourism Development includes, below, a long discussion of cruise ship tourism. The reason for this part of the tourism market being singled out for special attention is that, as noted earlier, cruise ship arrivals overtook arrivals by air to Vanuatu several years ago, and growth in cruise ship tourism continues to be of great significance for the country. However there has not been a great deal of planning to date regarding the development of this market and management of its impacts, which is of concern.
Popularity of cruise tourism globally & implications for small island states

The popularity of cruise ship tourism is increasing globally. Between 1990 and 2007, the numbers of passengers carried rose from 3.8 million to 12.6 million per year (Brida and Zapata, 2010). It is the fastest growing sector of the tourism industry, with projections it will continue to increase at twice the rate of land-based tourism. Cruise tourism generates an estimated $18 billion a year in passenger expenditure which is important for countries like Vanuatu that host cruise ship arrivals (Brida and Zapata, 2010).

The growth of cruise ship tourism was initially constrained by the geographic remoteness of Pacific Islands, however, due to the growth in size and speed of new cruise vessels, improvements in port infrastructure (in Vanuatu particularly), as well as the growth in Asian and Australasian, and West-Coast American markets, the Pacific is now seen as a major cruise destination (MacPherson, 2008: 187). The September 11, 2001 terrorist attacks in the United States also had a lasting impact on the nature of tourism, with large numbers of western tourists seeing cruise tourism, especially to the Pacific Islands, as being an attractive and low-risk form of travel (Douglas & Douglas, 2004: 252). Moreover, the increase in the number of tourists seeking ‘unique’ destinations has motivated shipping companies to extend their destinations beyond traditional port towns, and the Pacific already offers visits to such remote destinations as Ouvea, Lifou, Borabora and Raiatea, and atolls such as Christmas Island in Kiribati. Between 2005 and 2006, P&O increased the number of South Pacific ports from 23 to 38, and it continues to investigate the feasibility of other ports (Islands Business, 2007). Globally, there are over 30 ships scheduled to be added to cruise ship fleets (Brida and Zapata, 2010).

Researchers have highlighted the ways in which cruise ship tourism is well suited for small-island developing states. A key development constraint for small island countries is that they may not have a substantial amount of resources to put behind destination marketing (Zhao & Ritchie, 2007). In the case of cruise ship tourism, the costs of market research and development are borne by shipping companies, and infrastructure costs of ship visits are also relatively low compared with other forms of tourism (MacPherson, 2008: 192). The costs of promoting destinations are also borne entirely by the cruise operators who have significant budgets and experience in these markets. As MacPherson (ibid) argues, “These cruise lines have a vested commercial interest in successful promotion of Pacific destinations, since they alone bear the costs of failure to secure passengers for scheduled journeys”. Cruise ships can also be viewed as ‘transportable economies of scale’ with the ability to bring mainstream tourism markets to remote
destinations that may be largely inaccessible by other means. This can open up peripheral areas where standard tourism infrastructure is not currently available.

Cruise tourism in Vanuatu

As mentioned above, Vanuatu has since 2006 received more tourist arrivals via cruise ships than by air (Table 2). Growth in cruise tourism to Vanuatu is even more rapid than in global markets with the number of cruise passengers doubling in the 4 years between 2005 and 2009. Vanuatu is the second most visited cruise destination in the South Pacific, after New Caledonia, and by 2007 it claimed 31% of all port calls in the region (Islands Business, 2007). While most boats currently coming into Port Vila are between 1,000 and 2,000 berths, there were bookings for 2012 and 2013 for 2,600 berth boats. As noted by Barry Amoss of South Seas Shipping, cruise ship tourism in Vanuatu has “gone through the roof” (Interview, March 2011). Amoss also argues that “Vanuatu is the ‘jewel in the crown’ of the Pacific in terms of cruise ships”, both because Vanuatu and New Caledonia are the only countries within two days sailing of the Australian east coast from whence most cruise ships come, and passengers show high levels of satisfaction regarding their experiences in Vanuatu.

There are currently six cruise ship ports of call in Vanuatu, five of which are in the established tourist centres of Port Vila, Espiritu Santo (Luganville port where it is possible to dive or snorkel around a WWII wreck just offshore, and the pristine Champagne beach), and Pentecost Island (where boats stop to view the Naghol/land dive in April and May). There is a port on ‘Mystery Island’ (Aneityum), a tiny and uninhabited island at the Northernmost point of the archipelago, and another on Wala Island, a small island off the Southeastern coast of Malekula, the attractions of which include pristine beaches and as well as the Smol Nambas tribe (‘Small Numbers’ in Bislama, referring to the size of the penis sheaths), who conduct regular cultural performances for cruise tourists (Cruise Vanuatu, 2011). There has been significant growth in the number of cruise ships visiting Vanuatu, with more than four times the number that visited in 2001 coming in 2013 (Figure 3).
Economic impacts: benefits and constraints

Although there is some controversy and uncertainty in the literature regarding accurately measuring the amount of money that cruise ship tourists contribute to a local economy (see below), there is little doubt the potential is great. Vanuatu collects significant fees from cruise ship companies, which pay approximately A$25,000 port fees to the government when berthing in Port Vila or Luganville. Due to government negotiations to encourage more employment of ni-Vanuatu people, there is provision for this to be reduced to A$16,000 if ships have at least 40 ni-Vanuatu staff on board when arriving and departing Port Vila (Barry Amoss, South Seas Shipping: March 2011). Meanwhile in outer island destinations where there is no port, cruise companies pay around A$5,000 to local communities to put down anchor and come ashore for the day.

Spending by passengers is another important source of revenue for countries like Vanuatu. MacPherson, (2008: 193) says that on Pacific cruises, passengers routinely spend, on shopping and incidental purchases, in the region of US$90–120 on shore per day. Around half of the passengers aboard come ashore at each stop. Overseas estimates suggest that crew spending is also significant, at around 75% of what a passenger would spend (Brida and Zapata, 2010). In Naitu’s PhD thesis which examined cruise tourism in Vanuatu, positive impacts were
articulated mainly in terms of economic benefits where cruise ship tourism was seen by most of the respondents as creating opportunities for self-employment and income – such as market vendors and taxi and bus drivers. This is especially significant for marginalised sections of the population such as urban youth, who find it difficult to find jobs in the formal wage employment sector (2007: 71-73). Sometimes returns can be significant, with Naitu reporting that on a cruise ship day most small vendors are confident of earning between NZ$50 to NZ$150. In this study, female handicraft and clothing stall vendors noted that they could earn more than this, estimating earnings of between $100 and $800 per day when a ship was in Port Vila, which can be 3 or 4 times a week in the peak season (Interviews, March 2011).

However, opportunities for generating income can be lost through an absence of integrated planning of commercial activity. As noted by MacPherson:

*What is remarkable in the Pacific is that passengers routinely return to the ship complaining that they could not spend money which they had planned to because the range or volume of goods and services were not available. This unmet demand is not lost on small producers and food sellers who have under-estimated the interest in their handicrafts and have found that their goods are rapidly sold out and sales opportunities are lost (2008: 193).*

Douglas & Douglas (2004) conducted a tourist expenditure survey on two cruise day-stops in Port Vila, analysing a total of 769 survey respondents. Their findings were broadly congruent with MacPherson’s estimates above. They found that that average passenger spending was US$94. Multiplying the average spend by 1250 – the average number of adult passengers on the two ships surveyed – they estimate a total contribution to the Port Vila economy of US$11,700 per visit. Including an estimated crew spend per day, in total they estimated a fortnightly visit by medium-sized vessel may be said to inject US$247 647 into Port Vila’s economy, annually amounting to some US$7.8 million into the Vanuatu national economy (Douglas & Douglas, 2004: 259-260). Of course, since their estimates were carried out the number of cruise ships visiting has increased significantly.

It is important to emphasise, however, that expenditure does not necessarily equate to economic impact. While expenditure surveys are useful for giving a very broad picture of the level of income generated, they give little to no information regarding where this money is actually being spent. Recent tourism literature on this topic has argued that the cruise ship tourism can often bring only limited financial benefits to the resident communities comparative to other forms of tourism (Wood, 2004; Sorenson, 2006; Pulpsipher & Holderfield, 2006).
For example, Johnson’s (2002, cited in Naitu, 2007: 8) study found that almost 30% of the cruise passenger’s estimated daily tour expenditures went back directly to the cruise ship in the form of commission. In addition, the majority of tourist spending is often on duty-free goods that are imported from overseas, adding little to the local economy. Cruise ship holidays typically involve pre-paid packages including all meals and many onboard activities encouraging passengers to spend more time onboard and less time onshore. Sometimes, passengers prefer to stay onboard during port stopover or return to the ship to eat, rather than taking a tour (Momsen, 2005). Furthermore, cruise companies, which are working to extract maximum revenue per passenger on shore, may contract tours and entertainment services to wholesalers who can easily monopolise business in small economies (MacPherson, 2009). Jaakson (2004) describes the tendency for the majority of the cruise ship passengers to spend their time in familiar surroundings like tourist shops and restaurants, while rarely venturing out beyond the “tourist bubble”. The economic benefit for the destination community thus can be very limited because the passengers are not paying for accommodation, meals and are dealing primarily with either large wholesalers or only a few specific businesses in the destination port. These do seem to be issues in Vanuatu, particularly for ni-Vanuatu business owners, as will be discussed under the Findings section below.

MacPherson (2009: 194) argues that developmental benefits of cruise ship tourism could be greatly enhanced by systemic planning by government to enhance the multiplier effects on local businesses. This would include using regulation and incentives to encourage local businesses and shipping lines to provide a range of activities which ensure that benefits flow into the more remote sectors of the economy. He cites the example of the Teuila Festival in Samoa, which is used to identify competent, authentic, village performance troupes, which are then offered opportunities to perform both on the wharves as the ships arrive and on ships shortly before they depart. As he writes, “These groups perform on a rotation, which ensures that funds flow to each of the villages from which the groups come, and are not monopolised by commercially organised, hotel-based, tourism-oriented performance groups” (ibid).

**Costs of cruise tourism**

The rapid growth in cruise tourism mean there are also costs associated with its expansion, and there are numerous negative social and environmental impacts that tend to be overlooked in the literature. In particular, socio-cultural impacts on locals are given little attention. With over 1,000 cruise tourists embarking in many cases, they will effectively ‘take over’ a town like Port Vila when at port.
Naitu (2007) found that although people were generally appreciative of the benefits of tourism (especially the economic gains), there are recurring negative sentiments. Negative impacts that Naitu’s respondents attributed to the development of cruise ship tourism include: cultural commodification, the demonstration effect, overcrowding, a rise in prostitution, a rise in drug-use (particularly marijuana), and a feeling of marginalisation and uneven distribution of benefits. Respondents in this research echoed some of these findings, but mainly focused on overcrowding in Vila on cruise ship days, strain on existing facilities in Port Vila (e.g. public toilets), and fighting between taxi and/or bus drivers at the wharf (arguing about who is getting clients).

Naitu also noted reports of the monopolisation of income generated by cruise tourists. Ni-Vanuatu tour operators felt that cruise ship tourism was largely benefiting foreigners because they operated most of the tours for cruise tourists. This concern was strongly echoed in this study, and is highlighted in the findings section below. Naitu notes:

*The current P&O tour agent in Vanuatu, Adventures in Paradise...control and monopolise tours sold on board the ships, which indirectly influences where cruise tourists spend their money as well. In the past cruise tours were handled by a Ni Vanuatu tour operator (now defunct Tour Vanuatu) but P&O cruise passengers’ complaints over Tour Vanuatu’s reliability to provide a high standard of service resulted in the P&O terminating their contract and giving it to Adventures in Paradise (2007: 84).*

This quote shows that there was a good reason for P&O cruises moving away from their old ni-Vanuatu agent, and provides a reminder that for the tourism sector to be successful and for local benefits to flow, a high standard of service of required.

In addition, cruise companies do not like having to deal with land disputes. In recent years there have been significant fights between landowners in one of the peripheral ports, which has led the cruise company to consider withdrawing from that port – especially when there was fighting between local people on one occasion when the ship was about to dock. During an interview for this research, Barry Amoss from South Seas Shipping (which books all cruise ships into Vanuatu ports) pointed to a box full of legal documents and letters in his office pertaining to this dispute and noted: “I don’t want these...it’s up to them [landowners] to sort it out if they want us coming to their island”.
The large amount of pollution created by cruise ships, as well as the damage they cause coastal marine and other fragile ecosystems, is also a major area of concern. Environmental groups argue there are major negative impacts of cruise ships associate with discharge of greywater, blackwater, bilge water, ballast water, and air pollution (Brida and Zapata, 2010: 219). Many modern ships carry their own fuel, produce their own fresh water, and provide energy, waste disposal and sewage systems, and U.S and European ports from which most major cruise companies operate are imposing steadily stricter environmental regulations (MacPherson, 2009: 189). As public scrutiny of the activities of cruise liners has increased, the industry has adopted various best practice guidelines, such as the International Council of Cruise Lines 2001 commitment to minimising waste streams in existing vessels while seeking, by ship design and operation, to “minimize their impact on the environment” (International Council of Cruise Lines, 2005, cited in MacPherson: 190).

In the absence of robust national environmental regulations however, there is often little developing countries can do to mitigate the environmental impact of cruise ships other than refusing the entry of ships that do not conform to the standards required in U.S. and European ports (Wood, 2009). In attempting to regulate environmental impact, there is obviously an imbalance of power between small developing countries and large, multinational shipping companies. In a recent example of this imbalance of power, in 2006, P&O shipping illegally dumped up to 500,000 litres of oil on the Port Vila dump site at Teouma (Sternburg, 2006). News of the mass dumping of engine ‘sludge’ angered many locals, with taxi drivers going on strike, refusing to transport P&O passengers from the cruise ship terminal to Port Vila and forcing them to walk the 5km into town. As the dump site did not have any facilities for processing engine oil, the waste was reported to have seeped into a nearby river used by locals for washing, bathing and subsistence fishing. P&O later apologised for the dumping, and although the government had originally threatened harsh fines (NZ$30 million), they agreed not to pursue compensation in return for P&O removing the oil (Radio New Zealand, December 2006).

A recent area of concern is associated with the safety of cruise travel. Media around the world swooped in on the grounding of the Costa Concordia in the Mediterranean sea in January 2012. Other recent incidents have included serious fires on cruise ships requiring evacuation of guests. Fortunately to date there have been no major incidents in the South Pacific.

Now that the nature and growth of tourism in Vanuatu and government plans for tourism have been clearly outlined, and issues regarding foreign ownership,
attempts to spread the benefits of tourism and cruise ship tourism have been raised, it is time to highlight the key findings of this research.
4. FINDINGS & RECOMMENDATIONS

Previous sections have examined the development context in Vanuatu, and have discussed the growth of tourism along with government plans for tourism, the uneven development of tourism, and the emergence of a strong cruise sector. We now move on to specifically discuss the key findings which emerged from fieldwork in Vanuatu and the review above of other research and reports on the tourism sector. A number of related recommendations will also be presented.

i) There are significant challenges in spreading the benefits of tourism to peripheral areas

The government and development agencies have recently been supporting attempts to spread tourism to peripheral areas. The ‘Vanuatu – Discover What Matters’ branding and marketing campaign launched in 2011 is based on a desire to expand the options for tourists and encourage them to explore outside the island of Efate. However, as one donor questioned, we now have the marketing campaign to get tourists to Vanuatu, but do we actually have the transport and infrastructure to get them to outer islands to enjoy the experiences on offer?

It’s not good enough to show pictures of the volcano if when they get here [Vanuatu] they can’t go... If we are going to be serious about helping visitors get to the provinces and really experience Vanuatu, then we really need to be backing that up with proper infrastructure (Donor official: March 2011).

There are still major limitations to tourists wishing to explore the attractions of the outer islands not least the cost of travel, the infrequency of flights to many islands, and the lack of infrastructure on some islands (e.g. tourist bungalows may be acceptable to backpackers and other adventurous travellers but not other tourists, and roads, where present, may be impassable during wet periods).

Currently the Department of Tourism, with the support of donors including the EU, AusAID and VSA (Volunteer Service Abroad, from New Zealand), has provided a number of services which could assist those wishing to establish or promote small tourism businesses in the provinces, developing infrastructure (such as roads and airstrips - the aircraft sometimes get stuck in the mud and cannot turn around to take off again) and services (such as tourism information centres – see further discussion in the following section). However the reality is that those nearer to Port Vila are more likely to be able to access the credit,
business advice and other services that are available, and are closer to the main base for tourists.

As noted earlier, the Millennium Challenge Corporation funded a major infrastructure improvement programme including upgrading of ring roads on both Efate and Santo. Taking advantage of the new road, the Shefa provincial government helped with finance to build eleven roadside markets to help village women sell their goods to tourists and local people. The two women in Photo 1 operate a ‘road market’ in the large village of Paonangisu on Efate. Shefa Province wanted to encourage women’s business and assumed that there would be more tourist buses using the newly upgraded ring road around Efate. However the women in Photo 1 said that tour buses and individual tourists don’t stop here, only ni-Vanuatu.

![Photo 1: Vendors waiting for customers at the Paonangisu road market](image)

While spreading the benefits of tourism is a laudable goal and it is one of the key drivers of this research, that is not the same as suggesting that every location and every island can be a site for tourism. The geographical dispersal of islands is, in most cases, a barrier to tourism development. There are some places that are simply too inaccessible, which have minimal infrastructure for tourism, and which cannot claim to provide a unique product of service that might attract niche groups of tourists. It might be more realistic to focus on expanding tourism to existing peripheral sites (e.g. Tanna, Pentecost and Santo) and then to develop new products and services on these islands or nearby which tourists can connect to. The answer is not, therefore, to encourage people on the most remote islands to start developing products for the tourism market. However, if they live in a
place where cruise ships are now stopping, or by a bay which is regularly frequented by yachties, then they should certainly be supported to develop goods and services which may help them to earn an income from these types of tourists.

Meanwhile, more people will benefit from tourism if the government uses revenue from tourism (e.g. duties and taxes) to cross-subsidise development of other sectors, to the benefit of people living in outer islands.

**Recommendation**

- In developing tourism outside of Efate, it will be most effective to expand tourism in places where it is already occurring (e.g. Tanna, Pentecost and Santo, or ports where cruise boats dock) and to build on fledgling tourism (in places like Ambrym and Malekula).

**ii) Comprehensive, on-going support is required for ni-Vanuatu business**

Twenty years ago, Milne (1992:197) estimated that ni-Vanuatu businesses received less than 10% of total tourism expenditure. While the number of ni-Vanuatu owning bungalows and operating tour businesses has increased in the past twenty years, the major growth has been in cruise tourism and foreign investment in high-end boutique developments or hotels, so there is no evidence that the share of tourism business captured by ni-Vanuatu operators has improved greatly. This is unfortunate, especially (as explained earlier) given that the legal framework is set up to support the development of ni-Vanuatu business in the tourism sector as ‘Reserved Investments’, and the government has a stated aim to spread the benefits of tourism.

Many ni-Vanuatu businesses associated with tourism including tour operators, taxis, vendors, and bungalow owners, lack business experience. In some cases they lack basic financial literacy skills, and in many cases they have limited understanding of mechanisms to promote their business. The types of support needed by ni-Vanuatu businesses ranges from access to credit, training and ongoing support in developing and marketing a business, and linkages to business networks. Such training is currently being provided by provincial tourism office staff, sometimes with the support of VSAs who have been appointed with the specific aim of providing business advice and coaching to groups and individual tourism operators in the provinces. The Australian government has provided further support through their TVET (Technical and
Vocational Education and Training) programme. Such support from donors seems to have been particularly effective where coordination has occurred, as in Malampa province (Box 6). As noted in a recent evaluation of the role of VSA volunteers in supporting indigenous tourism in Vanuatu,

*While VSA assignments can achieve considerable success working with local communities, this works best alongside donor funding resolving systemic issues such as transportation* (Johnston et al. 2012: 33).

**Box 6: Coordinated donor support for tourism development in Malampa province**

The New Zealand Aid Programme, Australian government, Department of Tourism and Malampa Provincial Council, funded the establishment of the Malampa Travel Call Centre, which provides a central hub for information on tourism to be provided and bookings to be made. They negotiated with Vanuatu Telekom, providing them with land to put a satellite at the back of the office, in exchange for provision of reliable internet and phone access for the Call Centre. The Malampa Island Bungalows & Tourism Association owns the Centre.

Volunteer Service Abroad (VSA) from New Zealand placed Howard Iseli here for two years to work as a Tourism Business Advisor. He worked with provincial tourism staff to set up the Call Centre and he has provided training and support in areas such as product quality, visitor expectations and marketing.

In addition, the Australian government has funded the TVET (Technical and Vocational Education and Training) programme which has delivered workshops to bungalow owners and cultural tour groups to help to upskill those providing services to tourists. By the end of 2011, they had handed out certificates to over 280 people from all over Malampa province who had attended their short course training.


Despite the comprehensive support provided in Malampa province, the VSA working here still felt that tourism development was *’quite fragile’* (Howard Iseli, VSA, Vanuatu Tourism Symposium, June 29 2012). This points to the need for ongoing support over the long term, rather than ad hoc training schemes.

Operational budgets for government departments are very low, making it difficult for them to support small tourism business owners. In offices including the Department of Lands, VIPA, Department of Cooperatives and Ni-Vanuatu Business Development, and the provincial tourism offices, we were told there were very limited funds to visit ni-Vanuatu businesses. Thus while the mission of the Department of Cooperatives and Ni-Vanuatu Business Development is to
work mainly with businesses in rural areas, in recent years they have been accessed a lot by urban businesses and cooperatives. Similarly, despite good intentions regarding the establishment of provincial tourism offices, personnel are constrained in terms of what they can do. In Shefa province, a modest operational budget only allows tourism officials to visit Epi once a year to provide support to around 5 small tourism businesses there. As a Shefa tourism official noted with frustration, ‘We just can’t get to visit these people on a regular basis, we can’t do much to help them’ (Max Aru, Shefa provincial government: March 2011). Max commented that without being able to provide ongoing support, some business opportunities simply stagnated. For example, a market was built with donor assistance at the popular yachting site of Lamen Bay, yet it only functions on Saturdays despite the fact that there may be a number of yachts in the harbour on weekdays too.

Commonly ni-Vanuatu entrepreneurs go into business by copying the ideas of neighbours. Mereana Mills, a VSA on a two year placement as Tourism Business Advisor with the Shefa provincial tourism office, explained why this is a problem for ni-Vanuatu wanting to benefit from cruise tourism:

*Every day that a cruise ship is in port we get a new person coming to our office with an idea on how to service that cruise. Often they come with ideas that are already oversubscribed. There’s always too many operators of “round island tours” – local taxi drivers also market themselves as such.*

(Mereana Mills, Presentation at the Vanuatu Tourism Symposium, 28 June 2012).

Establishing a copycat business does not typically make for a lucrative endeavour. For example, the stretch of coastline around Eton beach, about a one hour drive from Vila, has been carved up by families, each charging an entrance fee. The partitioning off of small pieces of land by different families has led to tensions in these communities, and the tourism rewards have not been great - many attract just a handful of visitors per month, and visitors do not find the rustic fences dividing up pieces of the beach to be appealing. A few businesses here do well, however. Photo 2 shows Diana, a mother of 7, opening up the gate to Blue Lagoon, a unique fresh and salt water pool surrounded by trees, which is near to Eton beach. The land is owned by her husband’s father and Diana’s job is to sit at the entrance collecting fees of VNV 300 per person (about NZ$4). On a reasonable day, Diana said she could take NZ$40, however when the cruise boats come, she might get really good takings due to 20-30 tourists visiting. Diana’s family is fortunate to ‘own’ this distinctive attraction.
Extended families typically provide a great help with indigenous businesses, pooling resources to invest in the business, providing free labour to get the business established, and also providing associated services. For example, if the owner of a tour company has a sister who has married into a clan who live on the route taken by his tour bus, he may arrange a regular stop there for tourists to experience a river trip in local canoes. However, such family businesses can also be exploitative of labour, expecting employees to work 14 hour shifts 7 days per week. They tend to provide very little training to staff and offer poor possibilities for progression.

It is also important that ni-Vanuatu get good advice about the types of goods and services needed by tourists and the tourism sector. All around the world there have been problems associated with families or communities setting up small bungalows or homestays in places where there is unlikely to be a viable market for the types of tourists they wish to attract. It is important to respond to the market to build sustainable businesses, as noted by a donor in Vanuatu:

...[if cruises are the growth area] the idea of jumping in and building a lodge might be the furthest thing from a good idea that you could have...but if you set up walks or treks, or adventure tourism, or cultural tourism, cafes or whatever, those things might be a far more wise investment (Ben McKenzie, NZ High Commission: March 2011)
The reality, therefore, is that there is considerable potential for ni-Vanuatu to own and operate more tourism businesses, however those without prior business experience need a great deal of ongoing support if they are to be successful. Donors interviewed by Cheer and Peel about tourism in Vanuatu argued that training, mentoring, and capacity development are all essential if ni-Vanuatu are to enhance their benefits from tourism (2011: 261):

Micro level interventions such as the provision of start-up capital and business skills training were particularly favoured as enabling ni-Vanuatus to exploit linkages as service providers to the mainstream tourism economy. Enhancing the engagement of ni-Vanuatus through the development of accessible entry-points for indigenous tourism enterprise was also identified as verifiable proof of the positive impacts donors consider praiseworthy (Cheer and Peel, 2011: 262).

This confirms the findings of a recent research project which examined tourism in Chief Roi Mata’s Domain, revealing that ‘without the implementation of broader support structures, mechanisms and networks, these glocalised business models will struggle to compete in the global market economy and to meet local community expectations’ (Trau, 2012: 149).

Recommendations:

- Provision of credit, ongoing training and mentoring are vital if ni-Vanuatu businesses are to succeed and prosper. In peripheral areas particularly, there is a need for ongoing support over the long term rather than ad hoc training schemes.
- It is important to plan carefully to support ni-Vanuatu to develop new products and services which meet tourists’ demands, or serve the sector more generally (e.g. fresh produce for cruise ships).

iii) Ni-Vanuatu business models typically incorporate social and cultural goals

It is worth reiterating here a quote from de Burlo (2003:81) which was cited earlier in this report. He suggests that rather than assuming ni-Vanuatu are motivated largely by economic incentives, we must realise that “...social and cultural imperatives may be equally (or more) important... [Thus] support for indigenous tourism enterprises must allow for success on local terms”. One reason why the
VSA approach to working with counterparts over a two year duration seems to work well is that they have time to develop an understanding of the culture and the priorities of those they are working with, rather than simply imposing a western business model onto them (Johnston et al., 2012). Ni-Vanuatu typically want to run a successful enterprise so they can support their family and community, not necessarily so that they can maximise their profits per se. This is why, as noted in section 2 of this report, many ni-Vanuatu prefer to engage in ‘target work’ rather than working consistently to maximise their overall income (Cox et al. 2007: 14). Local expectations of benefits of tourism may thus focus more on improving social wellbeing than on economic benefits:

*Lelema conceptions and measures of development success through Roi Mata Cultural Tours, such as paying for the school fees of all community children or supplementing aid post supplies, are just as important locally as the provision of full-time employment and increases in personal and household income levels (Trau, 2012: 158).*

Thus there needs to be recognition that local business models which prioritise broader social and cultural goals might drive development initiatives. For example, initiatives employed by Roi Mata Cultural Tours to ensure that as many local people as possible benefit from the tours, actually make this business less competitive, as explained below:

*Maintaining a large labour force of over 100 villagers within such a small business keeps operational costs high, limits reinvestment into infrastructure and marketing materials, and results in an inherently variable tour product.... Nonetheless, crucially, employing the maximum number of villagers and paying relatively high wages is judged locally to be more important than maximising operational and cost efficiency (Trau, 2012: 160).*

**Recommendations**

- Development projects aimed at linking rural communities to the tourism industry will be most successful where they achieve a fit between western business models and ni-Vanuatu cultural norms, and manage to harness the cultural capital of rural communities to become an asset rather than a hindrance to growing livelihood options.
- Training should be done by facilitators with a good understanding of local culture, rather delivering a fixed programme based on a western business approach.
iv) There is a need to develop strong linkages between small tourism businesses and more mainstream enterprises

Networks, and having connections with existing mainstream tourism businesses, can be vital for the success of small and medium sized ni-Vanuatu enterprises. For example, this could include a cultural tour company getting a stream of regular customers from a local hotel, or a women’s group winning a contract to supply shell necklaces gifted to tourists on arrival at a resort. While this does sometimes occur, it is clear that ni-Vanuatu businesses are not typically well connected with dominant businesses owned by expatriates and there are barriers to improving this.

The limitations to indigenous tour operators benefiting from cruise tourism provide a pertinent case. As Figure 1 showed, the number of cruise ship arrivals has dwarfed visitors by air in recent years, and it was estimated that each cruise tourist spends on average A$150/day. The agent for the tours sold to cruise ship passengers is Adventures in Paradise (AIP), which is managed by Adrian Mooney. Adrian estimates that they currently they sell about 600 to 1000 pre-paid tours to cruise passengers disembarking at Port Vila each call, and 400-600 pre-paid tours to those disembarking at Santo ports (Adrian Mooney, Adventures in Paradise, Vanuatu Tourism Symposium: 28 June 2012). As Figure 4 shows, for a recent one year period, over half of the tours sold by AIP for cruises docking in Port Vila were for ni-Vanuatu tour operators. Of the 62,966 tours sold by Carnival Cruises in the period shown 36,404 are owned and operated by ni-Vanuatu tours operators and 26,562 by others (Adrian Mooney, Adventures in Paradise, personal communication: July 2012). In Santo, over 90 percent of the tours are with ni-Vanuatu owned businesses. Obviously, those ni-Vanuatu businesses whose products are sold via the agent to cruise passengers can do very well from this arrangement.

The ni-Vanuatu owned companies listed by AIP include Evergreen, Ekasup Cultural Village, Masire Tours, Gaua Water Music, and Ifira Outrigger Tour. Evergreen Tours is particularly well patronised, receiving up to 200 tourists a time from AIP, because it is owned by the Malas family who have exclusive rights to the Cascades waterfall attraction near Vila. Philip Malas noted, however, that it was not easy for his family to register this land from their clan before developing it into the tourist attraction it is today: in fact, they had to deal with 11 court injunctions (Philip Malas, Evergreen Tours, Presentation at the Vanuatu
Tourism Symposium: June 28, 2012). Despite not everyone being happy with this business, it has brought a lot of benefits to the community:

- Evergreen employs over 90 staff.
- Team management are all ni-Vanuatu.
- Evergreen pays over VNV 2.5 million per month in wages.
- Evergreen pays over VNV 1 million per month to the national provident fund.
- Evergreen sponsors the local soccer team, covering their costs and maintaining the soccer ground for the benefit of the community (ibid).

Figure 4: Pre-Paid Tours Sold to Cruise Passengers by Adventures in Paradise, November 2010-October 2011

Source: Adrian Mooney, Adventures in Paradise (2012)

In addition, some of the expatriate-owned tours also bring direct benefits to ni-Vanuatu by incorporating visits to villages or natural attractions in their tours, and paying a fee to the local community. For example, the jet ski tours with Zego Sea Safari visit Ifira island for a swim and enjoy some tropical refreshments, with money paid to the community leaders (Adrian Mooney, AIP, personal communication: July 2012).

During this research, however, I was made aware of a number of small tour operators on Efate who were frustrated that, despite cruise ships calling in to Port Vila three or four times per week, they could not access clients from the cruise ships. Ni-Vanuatu operators in Port Vila did not feel they were getting a fair share of the market. Certainly AIP does not list every ni-Vanuatu operator when it offers pre-paid tours to cruise ship clients. As Adrian Mooney explained, while there is demand, especially from Northern travel agents, for more authentic and adventurous tours (especially in the outer islands), AIP can only list those businesses which have private indemnity insurance. He says this is the biggest barrier to getting small ni-Vanuatu businesses on board. However, as Box 7
shows, this is not the only barrier. Some tour operators who offer day trips to a range of cultural and natural attractions around Efate, have taken great strides to be listed by AIP, but their efforts have been in vain.

**Box 7: Barriers to the success of ni-Vanuatu tour operators**

Albert started Lelepa Tours 10 years ago after working in hospitality for 6 years for Le Meridien Hotel. He hoped the tour company would assist his family on his home island of Lelepa, which could be visited on a day trip from Port Vila. The attractions of Lelepa include swimming, fishing, cultural interaction and hospitality (Photo 3).

There are 400 people living on the island, but there are few business opportunities apart from small shops. Lelepa Tours provides 2 permanent jobs to cleaning staff on the island, employs 2 office staff in Port Vila, plus it provides 10 jobs for others who work whenever tours are booked. In addition, people from the village sell artefacts to tourists. With proceeds from the business, Albert also makes direct contributions to churches on the island, chiefs, youths and women, based on requests.

While his business has had modest success, Albert is frustrated that a number of indigenous businesses seem to be blocked from accessing cruise ship custom. In 2010, out of the 140,000 tourists that came on cruises to Vanuatu that year, Albert only received bookings from 3 small family groups (who booked directly over the internet). Similarly, Bakro Tours, another indigenous business, received only 6 tourists off cruise ships in a 3 month period in 2010. According to Albert, AIP said his business needed public indemnity insurance, so Albert got this (at a cost of almost NZ$2000/year). Then AIP stated that Lelepa Tours needed to meet all safety requirements, thus Albert sent his boat drivers to do a maritime safety course. He went back to AIP but then he was told ‘your tour is too far away’ – even though he can pick up tourists in the morning and have them back in Vila by 3pm, in time to re-board their cruise ship.

As one business owner said, ni-Vanuatu should not have special privileges, but they should have a fair go: “Tourism is a big cake. We need to share the cake. But some people want to eat it all themselves” (Ni-Vanuatu business owner: March 2011).
While finding ways of tapping into the lucrative and growing cruise ship market is an obvious focus for ni-Vanuatu businesses, there are other opportunities for them to benefit from linkages with established tourism businesses. In particular, hotels and resorts are often keen to develop links with farmers who can grow specialist produce (e.g. herbs, capsicums, tomatoes, pineapples) or supply fresh seafood to their restaurant. However, informal arrangements often do not last due to inconsistency in supply and lack of quality of the produce provided. With support from agricultural extension officers and business advisors, and provision of opportunities to meet with hoteliers and restaurant owners, better linkages could be developed here. A good example of this occurring in the Caribbean is the ‘Adopt a farmer’ scheme which was initiated in the 1990s by the St Lucia Hotel and Tourism Association. This scheme matched chefs with one or more local farmers, and assisted farmers to diversify their crops and improve the quality of their produce (Tourism Concern 1999). This approach was also piloted in Tobago with The Hilton Tobago and the Mount St Georges Farmers’ Association, which led to seven farmers supplying TT$80,000 worth of produce in the first year (Ashley et al. 2006: 3).

**Recommendations**

- Private sector interests (VHRA, chambers of commerce, individual enterprises), government departments (especially those responsible for business, agriculture, fisheries and economic development), volunteers
and development agencies need to engage in regular dialogue about creating opportunities for linkages between ni-Vanuatu and mainstream businesses to develop. Specifically with respect to cruise tourism, the government should work in partnership with shipping companies, local leaders and local businesses in order to enhance income earning opportunities for ni-Vanuatu (see also section ‘vi’, below).

- VIPA could encourage joint venture arrangements, whereby the capital and business know-how of a foreign partner can be complimented by the access to land, social connections and local know-how of a ni-Vanuatu partner.

v) Some private sector interests show good commitment to Corporate Social Responsibility, and more of this should be encouraged

There are examples of good CSR (corporate social responsibility) practice in Vanuatu, which could be replicated by other tourism businesses. Often these initiatives have clear benefits for both local people and for the businesses involved.

One example is employment practices. It is common for employees in the hotel and resort sector to work a six day week. The management of Iririki Resort and the Grand Hotel and Casino in Port Vila, Vanuatu (137 + 74 rooms – the biggest accommodation providers in Vanuatu, and with 400 staff, the second biggest employer in Vanuatu) have changed their Iririki staff from 6 day to 5 day rosters, immediately boosting staff morale. They still work a 44 hour week, so get the same pay as before. Fahad Hayat, the General Manager, said they were hoping it would mean fewer sick days and higher productivity, but he also recognised that “working six days a week is hard. They don’t see their families much at all. And in Vanuatu they are very family oriented people” (Fahad Hayat, The Grand and Iririki Resort: March 2011). Another positive employment practice in Vanuatu is having the majority of employees on permanent contracts: this accounted for around 70% of employees at the Grand and Iririki. This compares favourably with the norm in Fiji, where two-thirds of resort staff are often on casual or monthly contracts, unsure of whether their name will re-appear on the roster from month to month (Scheyvens and Russell 2010).

Other ways in which hotels and resorts can demonstrate good CSR practice include the following:
• Maximising procurement of local products and services (e.g. fresh produce, furnishings, security).
• Employment conditions: 5 day working week; medical benefits; training and progression opportunities e.g. Poppy’s on the Lagoon has an optional education fund for employees whereby the resort matches employee contributions into this fund, which is then used for the education of the employee or a relative of their choice (Joanna Wade, Poppy’s on the Lagoon: June 29, 2012).
• Developing good relations with landowners.
• Supporting community development projects of nearby residents and/or landowners.
• Mentoring, or in other ways supporting, indigenous businesses: e.g. providing advice on standards and service to a local taxi company which wants to have primary access to tourists from one’s hotel.

A boutique resort demonstrating good CSR practice in their management strategies is Eratap (Box 8).

Box 8: Corporate Social Responsibility practices at Eratap Resort

Eratap Resort was established around 5 years ago by an Australian couple, Tony and Louise Pittar. Tony recognises that local communities have certain expectations of resorts and other economic enterprises which spring up nearby:

“You’re a little like an economic zone in the middle of nowhere. You’re a bit like...you know how mines all of a sudden open up in a place so remote it’s unbelievable, and they create this minor city in the middle of nowhere? Now mining has a negative impact, ultimately on the environment, whereas a resort, if developed correctly, can actually really benefit a place” (Tony Pittar, owner of Eratap Resort: March 2011)

After receiving many ad hoc requests for assistance from various members of the local community to help with the education or health care needs of individuals, Tony and Louise decided a more equitable means of supporting the community was to invest $1 million vatu (about NZ$14,000) annually in a major project of the community’s choosing. Recently, this involved sealing of their access road which is almost impassable after heavy rains (and local buses regularly refuse to use it). In a previous year, Eratap assisted with upgrading of the water supply system for Eratap village. Eratap Resort also provides its clients with an opportunity to sponsor the education of local children, which has enabled a number of them to continue their education beyond primary schooling (Photo 4).
Photo 4: Boys from Eratap village returning home from school. Some children’s grade 7&8 studies are supported by guests at Eratap resort.

Such efforts on the part of the resort have helped the managers to maintain a good relationship with the local community, who appreciate not just the economic contributions but the efforts of Tony to visit them on important occasions. As a resident of Eratap village enthused about Tony Pittar: ‘Hemi one gudfala man. Hemi kind tumas. Suppose mifela garem celebration hemi kam kaikaim wantaim mifela’ - ‘He is a good man. He is very kind. If we have a celebration he will come and eat with us’ (Resident of Eratap village).

An earlier section of this report raised serious concerns about problems with the past systems for leasing land in Vanuatu, which have meant that landowners now receive tokenistic annual rentals on their leased land (sometimes only A$50 per family) and in many cases, will be unlikely to ever have their land returned to them. Recognising the unfairness of this system, the Pittars decided to pay the four families who own the land on which Eratap Resort is based an annual ‘lease bonus’ to top-up the small amount that is required in the lease agreement.

Employee welfare is also considered at Eratap Resort. Siel Shem (driver and grounds maintenance), who is a father of 3, noted “Management is good. They treat you well” (Photo 5). He appreciated that he has received a pay rise every year he has been there, and is reimbursed for 50 percent of his medical fees.
Interestingly, donors interviewed by Cheer and Peel (2011) in their research suggested that they would be more willing to invest in the tourism sector in Vanuatu if foreign business owners showed a stronger sense of corporate responsibility:

*Expatriates often expect a risk premium for investing in the country. However, what must be made clear to them is that they have a role to play in so far as contributing to ni-Vanuatu development also. It is not enough to make a return on investment of 35% or so, and put nothing back. We would support the sector if we see a discernable move towards what we consider as responsible tourism practice. This needs to be led by government and stakeholders and presented to donors as such. (Donor cited in Cheer and Peel, 2011: 261).*

**Recommendations**

- VHRA could organize regular meetings at which members report on ‘best practice’ in terms of criteria involving the environment, partnerships, employee welfare and service.
• The government (via either VTO or DOT) should introduce annual tourism Best Practice Awards for businesses whose operations are socially, economically and environmentally responsible:
  • Service award: nominees would present data from client satisfaction surveys.
  • Employee welfare award: nominees would present information on training and progression schemes for employees, and evidence of regular forums for communication between management and staff.
  • Partnership award: nominees would provide evidence of innovative partnerships with, for example, local entrepreneurs or local communities (e.g. developing a new tourism product together, such as a village tour; contracts to source goods from local suppliers; support for community development activities).
  • Environmental sustainability award: nominees would provide evidence e.g. of efforts to maximise use of local produce (thus reducing air miles), reducing wastage of energy and water supplies, protecting fragile marine ecosystems, etc.

There are opportunities for stronger linkages between tourism and other sectors such as agriculture and fisheries

Similar to the situation in Fiji (Scheyvens and Russell 2010), one of the best ways for local people to benefit more from tourism is through sale of associated goods and services to tourism enterprises, including hotels, restaurants, resorts and cruise ships. Approximately 40% of fruit and vegetables used at the Iririki Resort and the Grand is imported. Hotels, resorts and also cruise ships want to be able to purchase more fresh produce locally. FAO-sponsored research in 2011 found that there is significant demand for fresh produce from tourism-related enterprises, however major hotels in and around Port Vila do not regularly use the main market place for their purchases, preferring to buy directly from traders or small farmers (Table 4). Around 90% of those selling produce at PVMM are farmers (Mael, 2011: 19).

Mael (2011: 13) estimated that the 12 hotels in Port Vila purchased the following quantities of fresh produce each week:
  - 963 kilograms of root crops (e.g. taro, manioc, sweet potato, yam)
  - 678 kilograms of fruit (e.g. banana, oranges, passionfruit, pawpaw)
  - 1051 kilograms of vegetables (e.g. cabbage, beans, cucumber, onion, lettuce, pumpkin, sugar cane, tomatoes, carrots)
  - 92 kilograms of nuts (e.g. coconut and navara).
Table 4: Sources of local fresh produce for selected Port Vila resorts and hotels

<table>
<thead>
<tr>
<th>Year</th>
<th>PVMM (Port Vila Municipal Market)</th>
<th>Small farmers &amp; traders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melanesian Hotel</td>
<td>6x/week</td>
<td></td>
</tr>
<tr>
<td>Le Lagon</td>
<td>2x/week</td>
<td></td>
</tr>
<tr>
<td>Iririki Resort</td>
<td>1x/week</td>
<td></td>
</tr>
<tr>
<td>Hideaway Resort</td>
<td>3x/week</td>
<td>3x/week</td>
</tr>
<tr>
<td>Le Meridian</td>
<td>3x/week</td>
<td></td>
</tr>
<tr>
<td>Erakor Resort</td>
<td>2x/week</td>
<td></td>
</tr>
<tr>
<td>Chantilly’s</td>
<td>3x/week</td>
<td>3x/week</td>
</tr>
</tbody>
</table>

Source: Mael (2011: 12)

While it might appear that a large amount of produce for the tourism industry is being provided locally, in reality there is still a lot of fresh produce being imported into Vanuatu (almost 28 tonnes per week in May 2011 – see Figure 5), both for tourists and the domestic market. With the imports including many types of fruit and vegetables which can be grown locally, there is considerable potential for farmers in Vanuatu to increase their income by servicing the tourism market.

Figure 5: Fresh produce average weekly imports, May 2011

![Graph showing fresh produce average weekly imports, May 2011](source: VNSO)
Vanuatu has climates and soil types suitable for growing a wide range of produce, from the expected tropical fruits through to root crops more commonly found in temperate countries (e.g. carrots and potatoes can grow well on the mountain slopes in Tanna). They also have excellent fisheries in the 680,000 square kilometres of their Exclusive Economic Zone: while access to rich marine resources supports rural people’s food security very well, it is estimated to contribute less than 1% of GDP (Verdone and Seidl, 2012: 8). Most of the 127 deep water fishing vessels operating in Vanuatu waters are foreign-owned. Overall, there are a range of constraints which stand in the way of enhanced provision of local fish, fruit and vegetables to the tourist market.

Tourist businesses want to be guaranteed consistent quality and supply. To develop a contract with a local grower or supplier, a cruise boat feeding 2,000 people three times per day needs to know that every time they dock their order for 150 papaya, 200 coconuts, 80 kilograms of sweet potatoes and so forth, can be filled: “We can’t risk non-delivery when there’s 2,000 people to feed. And there’s a very small window of opportunity for providing supplies, as we’re only in port for a short time” (Michael Mihajlov, Destinations Manager, Carnival Australia: June 2012). Local farmers and fisherpeople do not plan around providing consistent supply, and typically they do not have storage facilities or refrigeration, thus are more likely to occasionally have a surplus which they then sell at a market place. Hoteliers and chefs do not always appreciate a knock on the back door from someone wishing to sell them a bag of coconut crabs, partly because they need official documentation for every purchase (and often prefer to buy on credit and pay at the end of the month, which local sellers cannot offer), but also because they can’t be sure if the crabs at the bottom of the bag are good quality – if they prove to be three days old and rotten, the buyer has no recourse. Clearly farmers, fisherpeople and tourist enterprises could all benefit if there was a good supply chain linking producers to purchasers, but to establish this would require comprehensive support from the Ministry of Agriculture, Quarantine, Forestry and Fisheries, including upskilling of farmers and fisherpeople.

Another limitation to building links between local producers and those purchasing goods, however, is the perceptions of those making the purchases. The manager of Vanuatu Direct asserts that often tourists will be offered an inferior product, like imported cordial on the breakfast buffet rather than juice made from freshly squeezed Vanuatu oranges, because of cost: ‘Purchasing officers...are bean counters. So it becomes a financial choice, not really an availability choice’ (Cornelia Willey, Vanuatu Direct: March 2011). In other cases, it appears that chefs perceive that tourists would prefer imported food. As noted by one VSA officer, ‘I’ve been to Nuna...the fishermen came in with the boat, rang the bell for
people to come and buy fish, and that night I got served tinned fish and 2 minute noodles for dinner’ (Mereana Mills, VSA working in the Shefa provincial tourism office: March 2011).

A business which is successfully meeting the needs of the tourist industry in Vanuatu for fresh produce is Vanuatu Direct (Box 9).

**Box 9: Vanuatu Direct and supplies of fresh produce to the tourism sector**

Cornelia Willey has been in Vanuatu for 25 years. She started growing vegetables which she could not get for her family locally, then she sold the surplus. She also started ‘Rainbow Gardens’ to supply cut flowers to restaurants and hotels (Photo 6). In 2006, Cornelia began to import fruit and vegetables in response to demand from chefs and hotel owners.

Vanuatu Direct has made a significant contribution to the economy through the introduction of new crops desired by the tourism industry (e.g. capsicums and tomatoes), which were previously mostly imported. They also add value to existing products, for example, during this researcher’s visit, trialling a lime and honey drink concentrate. They are developing contracts with farmers to grow for them but mostly, they lead by doing and showing. Cornelia believes too many farmers have been led astray by chasing the ‘next best crop’ which then either fails, or fails to sell for the promised price:

‘I think the growers in Vanuatu are fed up with consultants, and aid people, and sham artists that have come along and said “grow me containers of (...)”. They get all excited, they grow it, and then they don’t get paid. That’s what happened to the ginger industry. It happened to mango growers in Santo... I found the best way with Vanuatu is to be a leader...go “I have exported X
amount, this is what I’ve got. See that block there, I’ve made 150,000 vatu or whatever off it”. And they’ll go “you’ve done that? I can do that, I’ve got an area that big. How did you do it?” (Cornelia Willey, Vanuatu Direct: March 2011)

Vanuatu Direct employ a food technologist who works with them to increase the shelf life of different produce, and an agronomist assists with field trials for new varieties of plants. They also have the only cool store for fruit and vegetables in Vanuatu, and in 2011, were still supplying carrots grown in 2010.

Recommendaion

- Donors and relevant government departments should work together to provide greater support for farmers and fisherpeople who want to sell to the tourist market, including cruise ships. They could do this through e.g. doing market research on requirements of hotels, restaurants and cruise ships, and providing ‘intermediaries’ to help farmers produce products and link into supply chains that provide for hotels and restaurants. Consistent advice and support is needed rather than one-off training, so as with tourism business support it might be appropriate to recruit volunteers who work with ni-Vanuatu counterparts for up to two years, and to liaise with buyers in the private sector.

vii) Land issues highlight problems with focusing on short-term commercial interests

The grim situation regarding land tenure and alienation was spelt out in section 2 of this report. It is well established that up to 90% of coastal land around Efate has been carved up in the last decade, alienating many indigenous owners from their land as well as cutting off their access to the sea in places. An official of the Department of Lands interviewed for this research had no concern about such matters, stating that “what the custom owners say, we do”. The problems with this statement fall into two main categories: 1) it is often unclear who the legitimate owners are: ‘...Tom, Dick, Harry and their uncle come into the Land’s Department saying “yeah, that’s my land”, and then someone stamps it and that’s it’ (Donor official, March 2011); and 2) custom owners currently have the right to negotiate directly with foreign developers, who frequently have exploited their ni-Vanuatu lessees; there is no organisation (such as the Native Lands Trust Board in Fiji) to protect/support custom owners in their negotiations. Land disputes thus exist both between custom owners and foreigners, and between custom owners. Many ni-Vanuatu consequently have a high level of distrust in
the Department of Lands, which is seen to act more in the interests of foreign investors than communities (Daley, 2009: 35).

In early 2011 there was an attempt by the new Minister of Lands, Ralph Regenvanu – an academic and advocate of land reform – to address some of these issues by introducing the requirement that applications for the registration of land leases of customary land must be signed by the entire land owning clan, rather than a few individuals (Vanuatu Daily Post, March 12 2011). The Minister also placed a temporary moratorium on all land sales while the new procedure was instituted, because of “the high number of improper and illegal land dealings that have been registered by the Department of Lands in the past” (ibid). Regenvanu was removed from his post shortly after this announcement was made however, and it looks unlikely that the requirement will become law in the near future. As Cox et al. have emphasised – given the significance of land in Vanuatu’s political history – the fact that this level of alienation has been allowed to continue in the absence of any substantive policy response from government “reflects the tendency of the state to respond to short-term commercial interests, without considering the social implications” (2007: 11).

Land and investment problems are compounded by the lack of any effective regulatory mechanism overseeing private investment or land leases in Vanuatu. Monitoring the activities of foreign investors and ensuring that they are complying with the conditions of their permits and licenses is one of VIPA’s statutory functions, and it has the power to revoke an enterprise’s operating license (VIPA, 2005: 2). However, as both Slatter (2006: 4-5) and Naitu (2007: 84-86) have stressed, lack of resources mean that the Authority’s capacity for effective monitoring and regulation is limited, and both refer to cases where investors used ni-Vanuatu to set up businesses for them, while others bypass VIPA and go directly to Ministers for approval to set up businesses. There is a tension between VIPA’s dual roles as an investment promoter/facilitator and as a regulator, and it is clear that creating an attractive environment for direct foreign investment is the Authority’s primary focus. According to Trau, this open environment for foreign investment and lack of regulation around land leases is heightening disparities in Vanuatu:

*The Vanuatu government’s neoliberal market policies, coupled with a lack of regulatory monitoring and enforcement, are accentuating social inequities between expatriates and ni-Vanuatu* (2012: 156).

There is no doubt that the land issue has been damaging to the tourism industry by reducing investor confidence around long-term and land-intensive operations,
has engendered conflict between locals and developers, and has been injurious to
civil society as a whole. Thus, for example, in-fighting in one community led to
Carnival cruises abandoning the port of Wala for a time, with the community
missing out on $5,000 in fees per time as well as opportunities to sell handicrafts,
refreshments and be paid for a cultural show (Barry Amoss, South Seas Shipping:
March 2011).

The current operating environment can impede development of successful ni-
Vanuatu businesses, such as the Roi Mata Cultural Tours examined by Trau:

_The lack of more comprehensive investment laws in Vanuatu, and the
effective monitoring or enforcement of even existing economic policy and
regulation, directly contributes to the inability of Roi Mata Cultural Tours
and other more grassroots PPT enterprises to expand and grow_ (Trau, 2012:
161).

Trau thus suggests that the Vanuatu government needs to reconfigure ‘...a more
glocalised policy and regulatory environment’ around land (2012: 161), which is
embedded in local cultural and social values. A revised land policy could also
provide greater clarity for foreign investors. However, without the political will
to carry this forward it is likely that economic development will continue down
the path of increasing exclusion and/or marginalisation for the majority of ni-
Vanuatu.

It is clear the land issues will not go away until the government is willing to bring
land laws more closely into line with the constitution. As the case of Fiji and the
Native Lands Trust Board demonstrates, when adequately governed, customary
land ownership systems can support both private sector development as well as
broadly based and equitable forms of community development (see Scheyvens &
Russell, 2010: 19-26). It is not too late to institute a land policy that serves the
cultural and social values of the people of Vanuatu, as well as providing greater
opportunities for them to participate in the formal economy.

**Recommendations**

- Support ongoing land reform efforts especially to clarify ownership issues
  and ensure fair benefits for landowners, but also to provide greater clarity
  for investors.
viii) The importance of planning for sustainable development of the sector

Compared to some of its neighbouring Pacific Island countries, Vanuatu is fortunate to have continued to see sound growth in tourism arrivals during the global economic crisis (as shown in Table 2). However there were declines in arrivals by air in 2010 and in both air and cruise arrivals in 2011, which should remind politicians and policy makers that tourists (and their wallets) are not a bottomless pit which can be mined.

Serious thought needs to be given to promoting sustainable development of the tourism sector. By this I mean not just sustaining the flow of tourists, but ensuring that the negative socio-cultural and environmental impacts of tourism are minimised. This is supported by the conclusions of a recent IUCN report: “If the values of nature are recognized and emphasized, decision makers can incorporate them into their planning, ensuring that the natural and cultural capital which Vanuatu’s economy relies on is maintained” (Verdone and Seidl, 2012: 15). Currently there is a good deal of energy focusing on how to grow the tourism industry via marketing and investment, but this needs to be balanced with attention to social and environmental wellbeing. This is important both because a) a holistic approach will deliver greater local benefits, and b) valuing environmental and cultural assets leads to greater visitor satisfaction: Carnival’s market research revealed that what their travellers wanted was friendly people, a unique and authentic cultural experience, and natural beauty/pristine environment (Michael Mihajlov, Carnival Australia, presentation at Vanuatu Tourism Symposium: June 28, 2012).

Marketers are using the ‘Discover what Matters’ campaign to encourage tourists to explore what is beyond Efate, and this could certainly help to spread the benefits of tourism if well planned and supported (e.g. through training, community awareness work, and infrastructure development). Alternatively, without good planning this drive to develop tourism in peripheral areas might just spread negative impacts.

One of Vanuatu’s major assets is its natural environment: the country cannot afford for this to be compromised by poorly planned development. In terms of environmental sustainability, there are minimal efforts to regulate development at present, as noted in the above section which reflected on problems with VIPA’s dual role. One resort developer was somewhat dismayed that not one government official had been to check up on any aspect of the development,
including the environmental impact of his business, since the Environmental Impact Report was signed off pre-construction:

*I said “look I’m putting in these special [waste] treatment systems” but no one came and ticked that off, so I could have done anything. I didn’t see another soul after the initial environment report (Tony Pittar, Eratap Resort: March 2011).*

As with other forms of tourism, cruise tourism requires integrated and coordinated planning to both be sustainable and to more widely spread the benefits throughout the population. Cruise tourism will continue to grow in the Pacific and, especially, Vanuatu. There are currently six ports of call used regularly by Carnival cruises in Vanuatu, and they are hoping to be able to expand this in future. As explained by Michael Mihajlov, Destinations Manager for Carnival cruises, Vanuatu is perfectly positioned in proximity to Australia for the 7 to 10 night cruises that are so popular with their customers: Fiji requires an extra day of sailing, so for short trips it is out of range. His company is looking to develop more ports of call in Vanuatu due to the country’s continuing popularity with their clients. However, already existing infrastructure is stretched in places like Port Vila and Santo, and a minimum of new infrastructure would need to be developed at any new ports of call: this can have a significant environmental impact if not planned carefully.

It is important to consider the environmental and socio-cultural costs of cruise ships and to seek to minimise these so that the industry does not damage the very qualities and features which attracted tourists in the first place. The rapid growth of cruise tourism raises the potential for pollution of Vanuatu’s waters, and also the issue of providing adequate facilities to deal with waste – both industrial and from the thousands of tourists brought in - when ships are in dock. There are other social impacts of cruise tourism which need to be managed. There are already costs associated with the expansion of cruise tourism, including: overcrowding in Port Vila; fights between taxi and bus drivers; insufficient services (eg public toilets in town); and disputes over who are the rightful landowners and therefore who should be paid fees when cruise boats dock at peripheral ports.

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4 A barrier to developing cruises further and opening up new peripheral stops is that there are many areas of unchartered waters – “we don’t know where we can safely take our half a billion dollar assets” (Michael Mihajlov, Destinations Manager for Carnival cruises). Carnival are thus requesting more surveys of the hydrography of these waters.
The sustainability of tourism is at last partly dependent on how local communities feel about tourism, and this is particularly evident in the cruise sector where the arrival of a cruise ship makes an enormous impression on otherwise remote communities. Although some ni-Vanuatu are benefitting from cruise tourism, their participation is mostly limited to small ventures, including sales of cheap, Chinese-manufactured souvenirs at temporary stalls. Many other people feel marginalised because they feel that foreign tourism operators control the industry and monopolise how it operates, or they are aggrieved that one or two individuals of chiefly rank monopolise the benefits. The arrival of 1,000 tourists at a time does not guarantee that a community of 300 people all will receive direct economic gains. A lot of ongoing support has been needed to support peripheral communities involved in tourism e.g. in 2012 a full time, two year position for a General Manager for Mystery Island was advertised partly due to the need to help local people develop appropriate products to sell to tourists, develop their skill base, and assist with communication between the company and the community. Similar investments will be needed if new ports of call are to operate smoothly and be well received by the local populations.

**Recommendations**

- Regular monitoring and enforcement regarding environmental regulations is required.
- The country should also be looking for ways to enhance its environmental sustainability, rather than assuming all will be well and then having to remedy problems when they arise. As an example, both cruise companies and Air Vanuatu could consider offering a carbon offset scheme as an option for their passengers, with money going into forest protection on outer islands.
- Tourism that only benefits a minority of the population is not sustainable. Ongoing support is needed, especially in peripheral areas such as some of the outer island locations where cruise boats put down anchor, to assist a wide range of community members to maximise their economic returns from tourism.
- Raise the awareness of tourists about the country they are visiting, so that they can be responsible tourists who respect the environment, are sensitive to the culture, and can make ethical choices e.g. supporting indigenous businesses. This awareness-raising could be particularly important for cruise ship tourists who often know little about the destinations they are visiting. In the case of Vanuatu, an experienced organisation such as Wan Smolbag could be engaged to construct short, entertaining film clips (to be shown on-board) about cultural practices,
basic greetings, land-based attractions, and how tourists can support the local economy and local communities.

ix) The need for more community awareness about the potential, both negative and positive, of tourism

Even though the DOT is charged with promoting awareness of the public of how tourism can benefit local communities (Johnston et al. 2012: 10), community awareness about tourism is not something which has been prioritised in government programmes to date. With various levels of confusion about land rights, economic opportunities for small-scale entrepreneurs, and dissension in communities due to some tourism-related initiatives, an awareness programme could now be very beneficial. In Samoa, running community awareness programmes has been an integral role of the Samoan Tourism Authority for some years now, and this, along with education of tourists about the country and culture, is enshrined in their latest tourism development plan (Samoan Tourism Authority 2009: 8). Such awareness programmes give local people the opportunity to make informed choices about whether, and how, they wish to engage with tourism.

Recommendation

- Alongside the ‘Discover What Matters’ campaign for foreign tourists, there could be a ‘Don’t Forget What Matters’ campaign for ni-Vanuatu, to ensure they remember what is important to them in terms of their wellbeing: things like family and clan ties, culture, environmental integrity and social wellbeing. If these things are sacrificed as tourism grows, the likely outcome is greater social and economic inequities and that tourism itself will be compromised because no longer will Vanuatu be regarded as one of happiest, or naturally beautiful, places on earth.
5. CONCLUSION

Tourism in Vanuatu is bringing a wide range of economic benefits, including direct and indirect employment opportunities, revenue to the government, and opportunities for suppliers of various goods and services. However, while tourism may be an important industry in Vanuatu, one which government and donors alike are keen to develop further, it is not a panacea for all of the challenges the country is facing. An overwhelming focus on growth of the sector could undermine other important development goals namely, enhanced wellbeing, equity and sustainability.

Tourism is currently the darling of those hoping to promote development in Vanuatu. A sector showing almost continuous growth over the past decade in the face of the global financial crisis and other challenges, providing thousands of formal sector jobs and contributing around 20% of GDP, it certainly offers much promise. However, for those willing to look beyond the macroeconomic indicators, the picture is not so rosy. There are high levels of foreign ownership of medium and large tourism businesses, meaning that a lot of money generated by tourism ends up going offshore. There is a lack of concern for sustainable development of the sector, with a willingness, for example, to allow investment in new developments to go ahead without sufficient regulation or monitoring of the impacts of these developments. Similarly, there is enthusiasm to accept more cruise ships into Vanuatu’s waters, but insufficient attention to improving facilities or carefully regulating this sector. Furthermore, it is quite simply a travesty that a country whose independence in 1980 was founded on a commitment to restoring the land rights of indigenous owners has seen so much land transferred – often in a dubious fashion – to foreigners, with few if any ongoing benefits to landowners who also have little chance of reclaiming their lands even after the 75 year leases are up. The possibility of more equitable tourism in future is partly dependent on greater regulation over land transactions. The land reform process currently underway could, if fully supported, help to address these issues.

There needs to be greater ownership and control over tourism by ni-Vanuatu if they are to benefit significantly from economic opportunities tourism brings. It is not sufficient to provide legislation to reserve smaller businesses for ni-Vanuatu owners: for example, as shown in this report, there were still major impediments to ni-Vanuatu tour operators being able to gain access to the lucrative cruise ship market. Support is needed to improve the quality of goods and services offered by small businesses, and to connect small businesses to successful mainstream
tourism-related businesses (for example, travel agents like Adventures in Paradise, or growers and suppliers of fresh produce such as Vanuatu Direct).

Some conventional businesses (e.g. hotels and resorts) are operating in ways which deliver very good benefits to local communities: something which could be publicised and rewarded more (such as providing annual awards for responsible tourism). Good practices include:

- being fair employers (reconfiguring work hours so employees get 2 days off per week instead of just 1, providing health benefits and quality training for employees);
- offering training and scholarship opportunities to employees, landowners or nearby residents;
- sourcing goods from local farmers, fisherpeople and handicraft manufacturers;
- contributing to specified community development projects, as decided by the local community, such as upgrading water supplies;
- developing tours in partnership with local communities, and ensuring they capture a major share of the benefits of these tours.

Mentoring and business partnerships are other ways of developing positive linkages between expatriate and locally-owned businesses.

Great strides have been made to ensure a greater geographical dispersal of tourists by encouraging them to ‘Discover What Matters’. While efforts to develop tourism attractions in peripheral areas are likely to yield a good flow of tourists in some instances, there are many peripheral areas of Vanuatu which will never be able to generate direct benefits from tourism. It is unrealistic to expect that tourism can benefit all ni-Vanuatu. Rather, the government needs to consider it as one of a number of key sustainable livelihood strategies for the country and its people.

One of the main attractions of visitors to Vanuatu is the people. Being voted the ‘happiest nation on earth’ by the Happy Planet Index in 2006 and having this title endorsed by Lonely Planet in 2010, there is no better time for Vanuatu to trade on the friendliness of its people as part of the country’s appeal. To do this effectively, however, all stakeholders have to work to ensure that there is a more equitable spread of the benefits of tourism, because the smiles will not last long if they are based on empty promises.

Governments need to play a strong guiding role if sustainable, equity-enhancing, poverty-alleviating tourism is to develop. Donors can support them in this role by offering assistance with tourism planning, building capacity, and by building
linkages with other related sectors e.g. agriculture and fisheries. It is also important to work closely with the private sector, being aware of what they need to run successful businesses while also encouraging them to act as ethical, responsible tourism providers. Further sharing of ideas and strategizing between various stakeholders is a requirement if all parties are to support the development of a tourism industry that will be sustainable as well as profitable, and deliver more widespread benefits in the future.
APPENDICES

Appendix One: Research Information Sheet

My name is Regina Scheyvens and I am Professor of Development Studies at Massey University, NZ. I am working together with Viran Brown and Adlyn Rambay to conduct research in Vanuatu on the following topic:

Sharing the Riches of Tourism: Exploring How Tourism Can Contribute More Effectively to Poverty Alleviation in Vanuatu

We would like to invite you to participate in this research by taking part in an interview of approximately 1 hour in length, in which you will be able to share your knowledge and experiences relating to the tourism industry and its impacts on development in Vanuatu. We are particularly interested in the following: how tourism is bringing benefits to landowners and other people residing near to resorts; the extent to which large scale (e.g. resorts) and small-scale (e.g. community based) ventures are benefiting poorer people; and whether national structures provide a supportive institutional framework for the development of pro-poor tourism.

If you choose to participate in this research, you will have the right to choose which questions you do or do not wish to answer, and you can withdraw from the study at any time. Written and electronically recorded material made during the interview will remain confidential and will only be seen by the two principal researchers and a research assistant in New Zealand. It will be your decision whether you and your organization will be identified or will remain anonymous in published work.

The information collected for this research project may be used for academic articles, reports, conference presentations and teaching purposes. We would be happy to provide summary reports and copies of published articles to any participants who request these. We hope you will accept this invitation to participate in this research as we really value the input you could bring to the project. If you have any questions about this research project, please contact us directly:

Research assistants:

Viran Brown
& Planning
Telephone: + 678 7751899
Email: viran.brown4@gmail.com

Adlyn Rambay
Telephone: 23838
Email: arambay@airvanuatu.com

Prof Regina Scheyvens
School of People, Environment & Planning
Massey University
PB 11222 Palmerston North
New Zealand
Telephone: +6463505799 x2509
Email: r.a.scheyvens@massey.ac.nz

This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University’s Human Ethics Committees. The researchers named above are responsible for the ethical conduct of this research. If you have any concerns about the conduct of this research that you wish to raise with someone other than the researchers, please contact Professor John O’Neill, Assistant to the Vice-Chancellor (Research Ethics), telephone 06 350 5599 x5249, email humanethics@massey.ac.nz.
Appendix Two: Excerpts relating to Tourism from the New Zealand–Vanuatu Joint Commitment for Development, signed on November 28, 2011

From ANNEX TWO: PRIORITY SECTORS AND COMMITMENTS

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<th>1) LIFTING ECONOMIC PERFORMANCE</th>
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<td><strong>OUTCOME</strong></td>
<td>A sustainable and growing local private sector with increased employment and other benefits, including in rural areas.</td>
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<td><strong>JOINT COMMITMENT</strong></td>
<td>New Zealand will:</td>
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<td>- Work with Government of Vanuatu and private sector stakeholders to develop a large, multi-year programme to support tourism development in Vanuatu.</td>
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<td>- Develop and implement a programme of support to Small and Medium Enterprises (SMEs) in the productive or agri-business sector</td>
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<td>- provide business mentoring support to a range of businesses under the regional Pacific Business Mentoring Programme</td>
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<td>Vanuatu will:</td>
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<td>- coordinate the Vanuatu tourism support programme, including establishing a Programme Management Committee or sector coordination mechanism to oversee support to the sector and undertake monitoring and evaluation</td>
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<td>- undertake an independent review of the Ministry of Tourism’s capacity and structure, and implement recommendations that improve service delivery.</td>
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<td>- ensure that an increased proportion of business licence fees is allocated to support private sector development nationwide.</td>
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<td>- develop and implement private sector policy with the aim of further improving Vanuatu’s ‘Ease of Doing Business’ ratings</td>
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<td>- consult the private sector on all major policy and regulatory issues and new legislation with the potential to affect businesses</td>
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REFERENCES


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