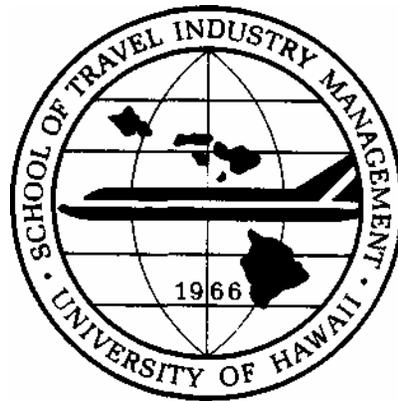


TOURISM DEVELOPMENT IN FRENCH POLYNESIA



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EXECUTIVE SUMMARY

Project Background

In the Pacific region and elsewhere in the world, tourism represents a major alternative for small island nations searching for industries to increase their economic base, expand foreign exchange earnings, and enhance the standard of living for their people. In order to address outstanding current and future policy issues related to tourism development in the Pacific region, the Pacific Islands Development Program (PIDP) of the East-West Center initiated the "Multinational Corporations in the Pacific Islands Tourism Industry" research project in 1987. To conduct the study, PIDP contracted the School of Travel Industry Management (TIM) of the University of Hawaii-Manoa (UHM) to analyze ten Pacific island destinations grouped by geographical proximity and selected for criteria based on visitor arrivals and levels of development. This study covers the Territory of French Polynesia.

Purpose, Methodology, Scope

The purpose of this study is to provide a tourism development analysis focusing on specific policy concerns identified by the government of French Polynesia. This report focuses on government planning and administration for tourism, and also discusses the role of the recently established Tourism Committees funded by the Tahiti Tourism Promotion Office (OPATTI) on the various outer islands. The analysis is based on a review of available data, previous studies, interviews with various government officials and tourism industry managers, and observations from field visits conducted in May and October 1989.

General Overview

French Polynesia is located in the South Pacific, and its 115 islands cover a vast ocean area about the size of Europe, excluding Russia. The majority of the islands are volcanic in origin and the remainder are small, flat, coral atolls. Papeete is the capital of French Polynesia and is located on Tahiti, the largest of the islands. Throughout most of the islands the climate is tropical moderated by offshore trade winds.

The islands comprising French Polynesia were sighted by various European explorers between the 16th and 18th centuries, and Tahiti was claimed in the name King George III of England in 1767. The Society Islands, the primary island chain, was ruled by the Pomare dynasty until 1880 when they became a French colony. In 1957 the islands were reconstituted as French Polynesia, a French Overseas Territory, and in 1984 the Territory became autonomous, having been granted the authority to manage itself internally through elected representatives.

In 1988 French Polynesia had a population of approximately 189,000, nearly half of whom lived in Tahiti and another quarter in Moorea. Polynesians or part-Polynesians represent approximately 75 percent of the population. French and Tahitian are the official languages, although English is also spoken.

The Territorial Government in French Polynesia is headed by a president, elected by the 41-member Territorial Assembly. The president appoints ministers subject to Assembly approval. The Economic and Social Committee serves in an advisory role to the government and is comprised of representatives from professional groups, unions, organizations and agencies.

Historical Development of Tourism

The construction of the international airport in Tahiti in 1961 marked the beginning of the Territory's tourism development. A boom in hotel construction began in 1960 and accelerated in the late 1960s and early 1970s. Hotel development spread to the outer islands of Moorea and Bora Bora with the introduction of interisland air service. By 1974 the number of visitor arrivals exceeded 80,000. However, the next ten years were marked by relative stagnation. The tourism industry was constrained by limited air access, insufficient hotel rooms, and inadequate promotion. The new Territorial Government established in 1982 recognized the importance of tourism to the economy and has attempted to provide the conditions to encourage development. In a five-year period, a new investment code was instituted, international air service was expanded, the budget for the tourism office was steadily increased, and the 350-cabin cruiseship "Liberte" began operations. However by 1987, the "Liberte" had discontinued operations for financial reasons, several hotels had closed, and air service remained irregular. French Polynesia also developed a reputation as a very expensive destination to visit. The overall result of these factors has been an erratic growth in visitor arrivals over the past 10 years. The average annual growth rate between 1979 and 1988 was between 3.5 and 4.0 percent and arrivals for 1988 totalled just 135,837.

Visitor Characteristics

The primary visitor market to French Polynesia is the U.S., accounting for approximately 46 percent of arrivals. Other important markets include France, Australia, West Germany and Japan. Each of these markets has experienced uneven growth rates over the past ten years largely due to frequent changes in air service. Approximately 97 percent of visitors to French Polynesia are traveling for pleasure and approximately ten percent are repeat visitors. Visitor composition has changed over the past ten years in favor of more circuit visitors and fewer destination visitors. It is becoming more common to visit the islands as part of a multi-destination tour, the result of which has been a shortening of the average length of stay.

In terms of demographic characteristics, approximately 45 percent of visitors are between 26-45 years of age. By socio-professional category about one third are "without profession," being either retirees, students, or homemakers. Professionals and senior executives also account for a large percentage of visitors.

Accommodations

As of October 1989 there were 2,816 hotel rooms in French Polynesia, representing a 31 percent increase over a seven-year period. Forty-seven percent of the rooms are on Tahiti, 33 percent on Moorea, 12 percent on Bora Bora and 8 percent are spread among the other islands. Approximately half of the lodging units in the Territory are bungalow-style units, located primarily on Moorea and Bora Bora, while the other half are conventional hotel rooms, located primarily on Tahiti. Deluxe and Grade A hotel rooms together comprise 53 percent of the inventory while tourist class rooms account for 47 percent. The majority of deluxe hotels are located on Tahiti. Most of French Polynesia's hotels are relatively small establishments.

The overall increase in lodging units, decreasing arrival rates, and the change in visitor composition in favor of circuit visitors have resulted in lower hotel occupancy rates. The 1988 occupancy rate for all hotels was 51 percent.

Air Transportation

International air transportation to Tahiti can be classified into two categories: 1) flights that serve Tahiti as an end destination with passengers comprised of tourists visiting French Polynesia, and 2) flights based on a combination of destination and stopover traffic. In recent years the second category has become more dominant, resulting in an overall shorter length of stay for visitors. The growth of available airline seats to the Territory has been inconsistent. Between 1970 and 1988 airline capacity varied considerably, due to the commencement of service from several airlines, the discontinuance of service from others, and adjustments in the type or size of aircraft being used. As of December 1988, seven international carriers provided service to Tahiti for a total weekly seat capacity of 8,804. The average load factor for the year was 69 percent. In 1989 the number of seats from North America, the primary market, was reduced by 40 percent. A number of charter flights also serve Tahiti.

Interisland air transportation, provided by Air Tahiti and Air Moorea, is an important link for tourism. The majority of interisland air service is concentrated in the Society Islands: Moorea, Bora Bora, Raiatea and Huahine. The remainder of the islands on the routing schedule receive anywhere from two flights per week to one flight per month, depending on the amount of traffic generated. Airfares for the interisland flights are fairly expensive due to the necessity of using small, relatively inefficient aircraft.

Infrastructure

French Polynesia has a relatively well-developed infrastructure for tourism. Roads are paved on the major islands and Tahiti is served by twelve international shipping lines on a regular basis to provide for its import needs. An adequate supply of electrical power is available on Tahiti and most of the other islands, although the cost is relatively high. Some hotels have installed their own power generators. While water is abundant on the mountainous islands such as Tahiti, on Moorea, Bora Bora, and some of the outer islands, there is a scarcity of potable quality water, and some hotels have either built their own reserves or installed desalination plants at a fairly high cost. Although some hotels have their own sewage treatment plants, the use of communal systems or septic tanks is more common. Communications systems in the Territory are modern and well-developed; however, costs are high and the systems are heavily taxed by the government.

Tourism and the Economy

Although French Polynesia is dependent on substantial French financial support for its level of economic activity, tourism is one of its primary local industries. Total tourist spending in the Territory as a source of export income was estimated at more than 17 billion CFP (US \$160 million) for 1988, covering about 22 percent of total imports. The average daily expenditure for visitors is high at approximately 15,000 CFP (US \$135), primarily due to the cost of tourist products and services. The tourism industry employs approximately 5,300 workers. Government is currently trying to expand the industry to create an additional 3,000-5,000 jobs.

Education/Training for Tourism

The Lycee Technique Hotelier du Taone is the primary institution in Tahiti providing education and training for the tourism industry. The three areas of emphasis offered at the School are cuisine, restaurant, and lodging. Enrollment in the school is approximately 200 students. The Chamber of Commerce initiated another program in 1988

to train tourism managers. Aside from these two formal programs most of the training currently provided at the hotels and other tourism enterprises is on-the-job training.

Tourism Administration

Tourism administration in French Polynesia falls under the jurisdiction of two government organizations: the Tahiti Tourism Promotion Office (OPAm) and Tourism Service (SDT). The general functions of OPATTI are tourism promotion, education and technical assistance regarding overseas sales efforts, welcoming tourists to the Territory, operation of golf courses and tourist sites, and organization of dialogue among tourism professionals. OPATTI's operating budget for 1989 was 866 million CFP (US \$7.9 million). General functions of the Tourism Service are planning tourism development, maintaining statistics, implementing tourism-related regulations, and managing the Special Fund for Touristic Development (FSDT) and the Investment Code. Tourism Service's budget for 1989 was 26 million CFP (US \$240,000), excluding special funds for investment. Available funds under FSDT totalled 308 million CFP (US \$2.8 million) in 1987.

Prospects for Tourism

Because of the fluctuating pattern of visitor arrivals to French Polynesia, it is difficult to forecast future growth. If the problems that have beset the industry during the past two decades are not resolved, it is likely that arrivals in 1995 would still be under 200,000. Assuming these problems are overcome, a 10 percent growth rate would yield 265,000 visitors by 1995 and a 15 percent growth rate would result in 361,000 visitors.

While French Polynesia has a number of strengths with respect to developing a larger-scale tourism industry, including the physical characteristics of the islands and the people themselves, a number of constraints continue to exist. Irregular and expensive airline service has been a major deterrent to tourism development. A joint venture is currently being proposed between Air Tahiti and one of the French carriers as a partial solution to this problem. The accommodations component of the industry has also had problems: profitability at hotels has historically been low, and several have run into severe financial difficulties. Basic issues facing the industry are the type of accommodations to develop and the locations for development. The government has recently been encouraging foreign investment in this sector, and several hotel projects are currently in some stage of the planning process. Japanese investment interest in French Polynesia has been particularly strong. The high cost of the destination is another major obstacle in attracting visitors. The primary reason for the high cost is the heavy import tax on products coming into the Territory, although efforts to reduce costs have been initiated. The quality of service in French Polynesia also has not always appeared to match the high cost of the destination, and training for the industry will need to be increased and made more relevant.

Government Tourism Policy and Planning

In 1970 a master plan for tourism development in French Polynesia was completed by Harris, Kerr, Forster and Company, and Belt, Collins, and Associates. In the two following decades, several of the assumptions for growth made in this plan did not materialize, i.e., increased air access and hotel accommodations, development of the Japanese market, establishment of duty-free shopping, and competitive pricing. While the visitor arrival projections were overly optimistic, this plan continues to serve as a framework for current planning and the resort areas identified in the report for development provide a starting point for future planning efforts. Because of the erratic growth pattern of arrivals and the financial difficulties of some of the hotel projects, tourism development in French Polynesia can still be characterized as being at an early growth stage where the market is

not sufficiently developed and the financial risks are high. Given this early stage, the government has the opportunity to determine the optimal level of tourism development through its policies and tourism plans.

Tourism Objectives and Plans

In preparing for the possible closing of the nuclear testing center, the government of French Polynesia has begun to plan for an economy less dependent on French monies. Tourism is considered one of the key industries for achieving this economic autonomy. The objective for tourism stated in the five-year development plan covering 1984-89 was to double the size of the industry. The number of tourists were targeted to increase to over 200,000. When it became evident that this goal would not be reached, the government extended the time horizon to 1990. Other tourism-related objectives specified in 1987 included:

- developing a tourist industry of high quality in harmony with the image of Tahiti,
- developing products to encourage both Tahiti-destination and stopover tourists to visit the other islands as well as Tahiti,
- achieving an average occupancy for international hotels of 75 percent.

The overall economic objective was to generate enough tourism revenues to cover 35 percent of nonmilitary imports. A recent analysis by OPATTI suggests that the general objectives for tourism should be to increase hotel capacity to 5,000 rooms and reach 300,000 visitors by 1995. Given this scenario, tourism would generate enough revenue to account for 53 percent of non-military imports and 90 percent of the foreign exchange used to pay for the nonmilitary imports.

Physical Planning of Tourism

The physical planning of tourism involves the identification of existing tourist attractions, tourist facilities, infrastructure, and other physical characteristics, both natural and man-made, to determine which sites have potential for tourism development. During 1989 the SDT developed its own analysis for establishing a tourism development plan. Data on existing and potential hotel and tourist sites were transposed to geographical maps to reflect the current level of development and proposed future projects. With some exceptions, development has generally followed the zones suggested by the HKF plan.

Proposed hotel developments are subject to the Territorial Government's approval. A special presidential commission on tourism planning was established in July 1989, and it identified the following broad concerns regarding future tourism development:

- Improve tourism in order to preserve and increase social and economic benefits,
- Increase the consistency in Polynesian tourism,
- Improve the competitiveness of the Polynesian product in the international market,
- Guarantee the feasibility and quality of French Polynesia's tourist product,

- Reinforce the local economic system in the service oriented sectors.

In terms of hotel development, the commission recommended specific zones for future development on the various islands. It recommended an additional 1,500 rooms and a target volume of 300,000 tourists by the end of 1994. The Commission also recommended that alternative types of tourism such as bed and breakfast or village-based facilities be emphasized on islands where modern tourism development is limited. Tourism awareness campaigns were encouraged to inform the local population about tourism.

Tourism Planning Issues

Overall, the government's tourism objectives and plans appear to focus primarily on economic objectives and the physical development of facilities. As the Territorial tourism plan is the primary government document guiding the development of tourism, such a plan needs to be more comprehensive in scope and take into account all potential impacts of tourism. The planning process should also involve wide participation in terms of government, the private sector, community organizations and the general public. A tourism plan should include two components: 1) the establishment of economic, social, cultural, environmental and political goals/objectives, and 2) the physical development of tourism facilities.

Recommendations

In order to encourage further development of French Polynesia's tourism industry, it is recommended that the Territorial Government:

- Develop comprehensive goals and objectives for tourism development. In addition to existing economic goals, there should be sociocultural, environmental and governmental goals.
- Revalidate the HKF study recommendations with respect to the type and location of tourist facilities.
- Initiate research on the impacts of alternative types of tourism development in French Polynesia to identify the benefit/cost trade-offs.
- Develop realistic demand-based forecasts of tourist volume and use them as a basis for planning. The relationship between tourist volume and corresponding hotel capacity should be reanalyzed in view of existing and anticipated shifts in the tourist market to French Polynesia. The target of 65 percent average occupancy for the hotel industry also should be reassessed since it is likely to be too low for financial viability.
- Conduct an economic impact study to determine the real net economic benefits of tourism, as well as other industries in French Polynesia. A public revenue/cost study would be of value to guide government policies regarding incentives, tax exemptions, subsidies, and other government assistance provided to the tourist industry.
- Conduct a survey of residents' attitudes toward tourism and a series of community forums to obtain resident input on future tourism development.

- Conduct an in-depth study of the environmental effects of tourism. It is further recommended that environmental impact statements be required for future hotel developments.

Summary

Tourism in French Polynesia is in an enviable position because of its exotic image, outstanding natural beauty, and pleasant people. For a number of reasons, however, the islands have not been able to capitalize on these strengths in the development of their tourism industry. As a means of economic growth, the government is currently looking toward expanding the tourism industry. In view of past failures and potential problems both in French Polynesia and in other island destinations, the Territory should be cautious towards future tourism development. A comprehensive tourism plan is needed which includes an analysis of the economic, social, cultural and environmental impacts of tourism. Moreover, the planning process should involve wide participation from all sectors of the community. If approached in this manner, there is a greater likelihood that tourism can be developed to maximize the benefits to residents and minimize the costs.

Appendix B - Recommendations on the Role of Tourism Committees

In order to encourage tourism professionals to form an organization for the improvement and promotion of products offered to tourists, OPATTI has recently funded Tourism Committees on several of the outer islands. The primary responsibilities of these Committees are to organize visitor services, distribute tourist information, and increase resident awareness of tourism.

It is recommended that OPATTI fund tourist information and services on the outer islands as needed, but these services should be under OPATTI's direct control to ensure consistent quality and performance rather than be a responsibility of the Tourism Committees. The development of tourism awareness is such an essential function that it too should be under the direct control of OPATTI. Funds allocated to the Tourism Committees should be used primarily to encourage coordination among local tourism professionals to improve and promote their respective islands as desirable destinations.