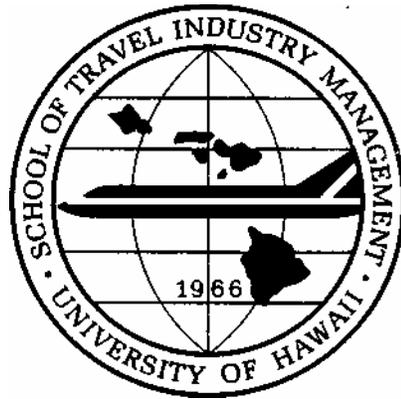


TOURISM DEVELOPMENT IN THE REPUBLIC OF KIRIBATI



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EXECUTIVE SUMMARY

Introduction

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. While tourism is expected to grow moderately in the next decade for Pacific island destinations as a whole, the impact will vary among the islands according to the stage of development. 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 report in the series covers the Micronesian nation of the Republic of Kiribati.

General Overview

The Gilbert Islands were originally settled in the 13th century and discovered by the Europeans in the late 17th century. The British established a protectorate over the Gilbert and neighboring Ellice Islands in 1892 which was extended to Banaba in 1900 and to Tabuaeran, Teraina, and Kiritimati in the early 1900s. Independence was achieved in 1979 with the establishment of the Republic of Kiribati. The nation is a democratic republic with a legislature (Maneaba ni Maungatabu) and President (Beretitenti), a cabinet chosen by the Beretitenti from the Maneaba, and an independent judiciary. Local government authority is vested in the elected island councils established on all permanently inhabited islands.

Kiribati consists of the Gilbert, Phoenix, and Line Islands, comprising 33 atolls/islands in the Central Pacific extending along the equator. All of the islands, with the exception of Banaba, are low-lying coral atolls surrounded by extensive reef areas. The main population center is Tarawa, where the capital is located, which serves as the commercial and transportation center for the country. The climate of all of the island groups is considered tropical or equatorial. The poor soils and lack of rainfall for many of the islands limit the production of food crops.

The population of Kiribati was nearly 64,000 in 1985 with about one-third resident on South Tarawa. Substantial migration to South Tarawa is occurring due to the availability of government employment and social services, although government has initiated resettlement plans for moving a portion of the population to the Line Islands. The population is concentrated in the Gilbert Islands with only 4 percent living in the Phoenix and Line Islands. The growth rate of the population is high at 2.4 percent annually. Approximately 99 percent of the population consists of I-Kiribati (indigenous inhabitants).

The main source of economic development in the past was phosphate mining on Banaba, although the deposits were exhausted shortly after independence. The nation has few natural resources other than the vast ocean with its potential for commercial fishing that surrounds Kiribati. Current industry sectors include copra, fishing, government services, tourism, and overseas employment of Kiribati seamen and of miners on Nauru. Future economic development will likely involve increased licensing of foreign fishing fleets, as well as copra, agriculture (import substitution), solar-salt production, tourism-related activities,

and transportation. Opportunities also exist for the development of small enterprises for import substitution activities in areas such as foodstuffs, building materials, and handicrafts.

Many of the households in Kiribati depend on the subsistence economy to meet most of their needs, particularly outside of South Tarawa. Although over 60 percent of households receive cash income, it is often only supplemental. The economy still is dominated by subsistence agriculture and fishing activities at the village level. Just over 17 percent of the population is involved in cash employment, and most of these are found in the government sector. Government employment accounts for nearly three-fourths of all cash employment and thus determines to a great extent prevailing wage levels. The private sector is quite small and consists of a few entrepreneurs, small companies, and cooperatives. Cultural values of equality and conformity inhibit to some degree the development of individualistic forms of enterprise.

The education level of the population is relatively high, with attendance through the first five primary grades virtually universal. A large share of the population has also completed a primary education through grade nine. For the 15-39 year age group, 19 percent have received secondary forms of education while another 6 percent have continued their education at colleges. Secondary schools are run by both the government and by religious groups. Tertiary education is available within the country at the Teachers Training College, Tarawa Technical Institute, Marine Training School, or Tarawa Branch of the University of the South Pacific. A limited number of students study overseas at various colleges and universities in the Pacific and elsewhere.

Tourism Development Analysis

Visitor arrivals to Kiribati have shown growth during the 1980s, reaching a total of over 3,400 in 1987 with an annual growth rate averaging 8.7 percent since 1980. The visitor totals are generally much smaller than those for Pacific island or other Pacific Basin destinations. Kiribati has two distinct visitor destinations: Tarawa in the Gilbert Islands (2,661 arrivals in 1987) and Kiritimati in the Line Islands (1,080 arrivals in 1987). The average annual growth rate for Kiritimati has been more than double that for Tarawa since 1980.

Visitors to Tarawa come from a number of different origins including, in descending order of size, Tuvalu, Australia, United States, Fiji, New Zealand. The largest segment of these visitors are apparently visiting friends and relatives, followed by those on Tarawa for business, in transit, for pleasure, and for conferences. Pleasure visitors, or tourists, constitute only about 7 percent of the total visitors. The vast majority of visitors to Kiritimati come from the United States, followed next by Japan; all other geographic segments are quite small. Over 80 percent of the visitors to Kiritimati are there for pleasure (primarily sportsfishing), with most others there on business or in transit.

Air transportation presents a major constraint for tourism development since Kiribati is not generally located on major air routes. International air service has declined in recent years such that Tarawa currently has only single carrier international air service provided by the Airline of the Marshall Islands, which provides connections with Majuro, Funafuti, and Nadi. Kiritimati receives service from Honolulu via Air Tungaru's charter with Aloha Airlines. For both islands, service is once or twice per week and most visitors originate outside the above air service points, necessitating connecting service with possible layovers and high fares. A small number of cruise ships call at Kiritimati or Tarawa and this source of visitors is limited.

Tourism Resources Assessment

Hotel accommodations in Kiribati are relatively limited, consisting of two hotels with a total of 30 rooms (to be expanded to 50 rooms in 1989) on South Tarawa, one hotel with 4 rooms and two long houses on Abemama, and one hotel with 36 rooms on Kiritimati. Each hotel has a restaurant and most of them also have a bar area. Guest houses are available on many of the other Gilbert Islands, but the facilities are very basic and are all self-catering. In addition to the 20 rooms being added to the Otintaai Hotel on Tarawa, proposals have been received by government for additional facilities on Tarawa, Kiritimati, and other Line Islands.

Most of the atolls that make up Kiribati are somewhat similar with few points of natural scenic interest other than the ocean, lagoons, beaches, and palm trees. Kiritimati, however, does offer visitors a profusion and diversity of fish and birdlife not usually found elsewhere. Tarawa contains relics from the Battle of Tarawa which was fought during World War II. Some war relics are found also on Abemama also with the site of a home once occupied by Robert L. Stevenson. A few historical attractions exist elsewhere in Kiribati, although the principal attraction on most islands is the unspoiled charm and traditional culture and lifestyle found there.

Formal facilities and activities for visitors are quite limited throughout Kiribati, leaving much to the individual initiative of the visitor. Arrangements for lagoon and island tours can be arranged once the visitor has made the necessary contacts, however. On Kiritimati recreational activities are much better developed, especially for sportsfishing where transportation, guides, and boats are included as part of a tour package. Birdwatching is also available on the island although organized activities are not provided as for sportsfishing.

Water supplies on Abemama and Kiritimati appear to be adequate to support increases in both the population and tourism, while supplies are more limited on South Tarawa, especially during periods of drought. With the exception of central sewerage and electrical distribution systems on South Tarawa, other utilities must be supplied by an individual tourist facility. Some roads on South Tarawa and Kiritimati are paved and roads elsewhere are generally unpaved coral gravel. Interisland air service is available throughout the Gilbert Islands with at least weekly frequency to the outer islands. The current small scale of tourism has only minimal impact on the physical environment of Kiribati, although this will grow if tourism expands. Land is owned by either the government or individual families and could be available for lease to support the development of tourism facilities.

Economic Assessment

The private sector in Kiribati is currently quite small and the government will continue to need to play a major role in its development. Tourism represents one of only a few opportunities for continued economic development at present. Tourism development offers the prospect for additional job creation, export earnings, and improved physical infrastructure and services. Most tourism receipts in Kiribati today are from foreign visitors, but the level of such receipts cannot be determined. The economic impact of tourism is mitigated by the leakages for goods and services that cannot be provided domestically.

The workforce currently employed in tourism and related industries is nearly all I-Kiribati, with the exception of the tour operator and charter airline for Kiritimati, which are based in Honolulu. The Kiribati population is primarily a young one and there is potentially a large labor force available for employment in the tourism industry. The actual supply of employees will be determined by such factors as willingness to work in a service

industry, level of education, and the level of wages and benefits in tourism when compared to jobs available in the government sector.

Social and Cultural Assessment

Tourism development in Kiribati has an impact on the culture and social structure of the nation. Because of the current small size of the tourism industry, recent social and cultural change is more likely due to general economic development and its accompanying modernization. Tourism offers the opportunity to improve the infrastructure of Kiribati, increase the level of economic activity, provide for a cleaner environment, establish more recreational facilities, and serve as an impetus to cultural preservation. Potential negative impacts that must be recognized include the demonstration effect and changes in value systems, individual behavior, family relationships, work activities, and other areas.

Further tourism development on South Tarawa can help alleviate some of the unemployment problems that exist due to population migration patterns. Further development of tourism on Kiritimati can also facilitate employment opportunities in the Line Islands to assist government resettlement to these islands. These efforts can result in opportunities for I-Kiribati in both government-supported and private sector enterprises. Tourism can encourage the maintenance or revitalization of traditional elements of Kiribati society and culture, but this will require education efforts directed towards residents and tourists alike. Additional education and training will be necessary to ensure that I-Kiribati are in a position to participate in the tourism industry without having to rely on foreign workers.

Government Tourism Policy Assessment

Basic government policy towards tourism includes the goals of developing a controlled industry, preserving the traditional aspects of Kiribati life, providing employment and making a significant economic contribution. Subordinate objectives have been established within the government policy framework that address economic, physical and environmental, and the social and cultural issues. Within the National Development Plan, short-run and long-run policies and strategies are found for Tarawa and for Kiritimati, the two primary visitor destinations. Within this framework, a detailed tourism development plan was developed which focused on maximizing the self-sustaining benefits of tourism, maximizing the social benefits of tourism, preserving and enhancing the national resources and assets of Kiribati, and providing a strong administrative tourism organization.

The basic government objective for tourism investment is to produce net cumulative benefits, taking into account possible alternative investments. Gradual and modest government expenditures on tourism development are most likely to produce net long-term benefits. Investment incentives are available from the government for tourism projects, and foreign aid grants for tourism projects are actively sought. The Ministry of Natural Resource Development (MNRD) has the lead role for tourism development in the Gilbert Islands while the Ministry of Line and Phoenix Group (LINNEX) has the same for the rest of Kiribati. Other Ministries are also involved, and a Tourism Advisory Committee was established in 1986 to provide government coordination on tourism matters. More recently, the Kiribati Visitors Bureau, with an office in Bikenibeu, was established under the auspices of MNRD. No similar organization for tourism is found within LINNEX.

Summary and Government Policy Recommendations

International Transportation Access

Air transportation access for Kiribati is an important element for tourism since nearly all international visitors who stay in the nation arrive by this means of transportation. To facilitate this access it is recommended that government:

- Continue to work for the entry of a second international airline in Tarawa service.
- Investigate the feasibility of direct air access between Kiribati and major/intermediate tourism-generating markets.
- Upgrade airport facilities at Tarawa, Kiritimati, and Kanton (if required).

Facility Requirements

Expansion and upgrading of present facilities are required if tourism is to grow in the future. It is recommended that government:

- For Tarawa, complete the renovation and expansion of the Otintaai, evaluate the feasibility of additional facilities at the hotel, and approve development of an additional hotel as warranted.
- Upgrade the Captain Cook Hotel on Kiritimati and construct new facilities as required.
- Study the feasibility of upgrading facilities on the outer Gilbert Islands to provide for small-scale tourism. , , :
- Study the feasibility of providing tourism facilities on Teraina or Tabuaeran.

Infrastructure

Future tourism growth will place increasing demands on the infrastructure in Kiribati. It is recommended that government:

- Increase the compatibility of the domestic service of Air Tungaru with international air service to Kiribati.
- Examine the feasibility of domestic air service to Teraina and Tabuaeran.
- Upgrade local transportation facilities on Abemama and any outer islands targeted for development.
- Evaluate the need for and methods for implementation to upgrade water supplies, electrical power, and sewerage and trash disposal on South Tarawa and Kiritimati.

Market Segments

Current tourist market segments are quite different for the two principal Kiribati destinations: Tarawa and Kiritimati. In both cases, it is necessary to better understand the present market segments and to develop new segments in order to broaden the tourism base. It is recommended that government:

- Undertake surveys, with subsequent analysis, to determine the characteristics, motivations, and levels of satisfaction of current visitors to Tarawa and Kiritimati.

- Identify and evaluate visitor attractions in Kiribati.
- Evaluate available data on outbound tourist markets to identify opportunities for increased tourism from current and new market segments and develop marketing programs to attract these segments.

Appropriateness of Scale

Tourism in Kiribati has been relatively small-scale to date and should probably remain so in the future to avoid overwhelming the infrastructure, culture, and society of the nation. In order to support this, it is recommended that government:

- Identify potential sites in Kiribati for tourism along with the appropriate scale for each.
- Evaluate closely any proposals received for tourism development with regard to scale, impacts, role of government, and viability.

Physical-Environmental Protection

The physical-environmental characteristics of the atolls of Kiribati serve as an attraction for tourists. In order to preserve this environment for both residents and tourists, it is recommended that government:

- Establish a monitoring system for physical-environmental impacts with a mechanism for recommending additional protection if required.
- Establish education programs on the control of pollution.
- Evaluate the need for new regulations for the protection of wildlife.
- Establish land use controls for tourism development.
- Develop and implement programs for the preservation, interpretation, and/or disposal of military relics on Tarawa and Kiritimati.
- Evaluate and preserve, as required, historical sites in the Gilbert and Line Islands.

Investment

In order to support the investments required for increased tourism development, it is recommended that government:

- Evaluate and modify existing government investment, regulation, and incentives to make tourism industry investment more attractive for domestic and foreign investors.
- Determine the feasibility of a tourism development fund and implement as appropriate.
- Evaluate and modify as necessary the policies and procedures of the Kiribati Development Bank to make loanable funds available to tourism-related businesses.

Negotiate with the Bank of Kiribati policies and procedures for greater access to loanable funds for tourism-related businesses.

Reducing Leakages

Leakages in the Kiribati economy reduce the national economic benefits to the nation. In order to reduce these leakages, it is recommended that government:

- Identify specific sectors of the tourism industry with high leakages that are appropriate for the development of local businesses.
- Encourage the purchase of local goods and services by hotels, restaurants, and other tourism-related businesses.
- Provide training for local businesses to enable them to recognize and take advantage of opportunities for sales to the tourism industry.

Improving Intersectoral Linkages

Current intersectoral linkages in the tourism industry are weak and need to be strengthened to support tourism development. It is recommended that government:

- Increase its level of participation and encouragement, as required, for the development of local tourism-related businesses and industries.
- Provide education to the tourism industry on the need to expand the industry beyond the existing hotels and restaurants.

Other Economic Strategies

In order to encourage a moderate rate of tourism growth, it is recommended that government:

- Establish specific investment policies and incentives that would directly encourage the desired scope, pace, and location of tourism development.

Appendix A - Tourism on Kiritimati and its Implications for Tourism Development

Kiritimati today has the largest share of pleasure travel to the Republic of Kiribati. Most visitors come for sportsfishing, with a much smaller segment for the purpose of operating the Japanese NASDA satellite tracking station. The marketing for Kiritimati is currently performed by GDI Travel and Tours of Honolulu, which replaced a previous operator in late 1988. Principal marketing efforts to date have been through public relations with a number of articles about sportsfishing on Kiritimati in national and international periodicals. All-inclusive and reduced-price fishing packages are offered.

The tourism industry is currently served by a single hotel, the Captain Cook Hotel, which also includes the only restaurant on the island and a bar/lounge. The hotel is located near the airport but is somewhat removed from the main administrative center at London. Proposals have been received for developments of varying size at a number of other sites on the island, but none have progressed past the proposal stage. As tourism on the island develops, further expansion of visitor facilities will be required, either at the Captain Cook or at a new facility. The main visitor attractions on the island are extensive populations of sportfish and birdlife not generally found in such numbers elsewhere in the Pacific.

Kiritimati is an isolated island which currently has a weekly air service which uses an Aloha Airlines 737 under charter to Air Tuarua. At one time, onward air service was provided fortnightly to Tarawa when Air Tuarua operated the Honolulu-Kiritimati service but this service was discontinued due to high subsidy costs. Kiritimati receives infrequent

shipping service and a small number of cruise ships call each year. The island has an extensive network of roads and small pickup trucks are available for rent.

The current level and pace of development on Kiritimati is relatively small. In order to ensure that tourism growth will have a positive impact on Kiritimati and the nation, it is recommended that:

- Tourism development proceed at a controlled pace.
- Development proposals be solicited and pursued only if they are in keeping with a controlled pace of development.

At present the market for visitors is quite limited by both trip purpose and area of origin, which creates potential risks for disruptions to the tourism industry on Kiritimati. In order to reduce this risk, it is recommended that, in addition to items proposed in Chapter 8.0:

- Increase the level and type of promotion and advertising for both existing and newly identified market segments.

To support the expansion of tourism to Kiritimati, improvements in air service will be required. It is recommended that government:

- Evaluate the feasibility of providing air service of greater frequency between Kiritimati and Honolulu.
- Take any necessary actions to ensure that a subsidy continues to be available for the Honolulu air service.
- Undertake a feasibility study on the extension of air service to Tarawa, Nadi, and other potential points.

Tourism market growth will result in the need for the upgrading and expansion of existing tourism facilities and activities. In order to support future tourism growth, it is recommended that:

- The older portion of the Captain Cook Hotel be upgraded.
- Implement programs for upgrading the skill levels of hotel staff.
- Evaluate the feasibility of hotel room expansion.
- Increase the range of visitor activities available to tourists.
- Plan for any additional infrastructure to support visitor industry expansion.

Economic development on Kiritimati is currently at a relatively low level. In order to increase the level of development it is recommended that government:

- Continue tourism development as a primary means of export earnings and cash employment.
- Encourage the expanded growing of suitable fruits and vegetables.
- Develop a local handicrafts industry.

- Investigate the feasibility of developing or expanding other export industries that benefit from the air transportation provided by the tourist industry.

Although the sociocultural impact of tourism has been small to date, increased development may change this. In order to mitigate these impacts, it is recommended that government (in addition to the actions recommended in Chapter 8.0):

- Ensure the continued performance of traditional dances and singing for visitors with narration added.
- Include, as feasible, visitors in local cultural events, festivals, and similar activities.

The lead agency for tourism development on Kiritimati is the Ministry of Line and Phoenix group, but coordination within LINNEX and with other ministries is not well developed. It is recommended that government:

- Reimplement a tourism officer position within LINNEX.
- Improve the coordination of tourism policy, planning, and implementation between LINNEX and other ministries.
- Develop and implement appropriate oversight procedures for current and future tour operations on Kiritimati.

The status of tourism development on Kiritimati has implications for the development of tourism on outer islands in the Gilberts. Marketing of such tourism will be critical, especially so for the identification of markets and appropriate types and levels of tourism facilities and promotion of these facilities. Air service, as it is for Kiritimati, will be of prime importance with regard to frequency, reliability, connections, and fare levels. Direct and supporting infrastructure will generally need to be built on an outer island unlike the case for Kiritimati. Thus, greater expenditures will be required for outer island tourism development, with the exception of Abemama.

The impacts of tourism development on an outer island can be expected to be different from those on Kiritimati. Economic impacts will probably be larger due to small cash economies on the outer islands, although the outmigration to Tarawa may be slowed as a result. The sociocultural impacts will also be larger since most outer islands maintain a more traditional lifestyle than that found on Kiritimati. Education plays an important role for outer island tourism for tourism workers, residents, and the tourists themselves. National government policy towards outer island tourism will have to be more clearly developed and the support of the local island council will be necessary before tourism development on an outer island could proceed.