

**POHNPEI STATE
TOURISM DEVELOPMENT PLAN
1994-2001**

Prepared for the
Pohnpei Tourist Commission
Federated States of Micronesia
by the
Center for Tourism Policy Studies
School of Travel Industry Management
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George Ikeda, Principal Investigator
Joseph Patoskie, Project Director

EXECUTIVE SUMMARY

1.0 Introduction

As Pacific island nations search for industries to expand their economic base, tourism has become a primary means of economic development. The tourism industry of the state of Pohnpei, Federated States of Micronesia has had a relatively short history but its increasing importance of tourism to Pohnpei state has raised a number of concerns regarding its direction, impacts, and role in meeting state as well as national development goals. In order to address the needs of the industry, the Pohnpei Tourist Commission requested the School of Travel Industry Management, University of Hawaii at Manoa, to prepare a comprehensive tourist development plan for Pohnpei state. The plan is presented in two parts: 1) a narrative section which provides the analytical context for the action plan, and 2) a tourism development action plan with short- and medium-term strategies to coincide with the state and national planning periods. The action plan contains goals, objectives, and implementing actions which are tied to funding and departmental and agency responsibilities. The plan is based on the concept of sustainable tourism development which involves the management of all resources to avoid depletion and is guided by the need to maintain a balance between environmental, sociocultural and economic considerations.

2.0 General Overview

Pohnpei state is one of the four island states of the Federated States of Micronesia (FSM). The Federated States of Micronesia was created through a constitution approved by voters in Kosrae, Pohnpei, Chuuk, and Yap in 1978 and through the execution of a Compact of Free Association with the U.S. in 1986. Of the four island states, Pohnpei is the largest in terms of land area with a total of 133.4 sq. mi. In addition to the island of Pohnpei, the state includes 25 smaller islands. Pohnpei's climate is tropical, and it is among the wettest places in the Pacific with an average annual rainfall of 200 inches in the town of Kolonia and up to 400 inches in mountainous areas. Pohnpei's 1993 population was approximately 34,000 persons, and the annual population growth rate was estimated at 3.3 percent. Approximately 46 percent of Pohnpei's population was under the age of 15 and 75 percent was under the age of 25. In 1990, the labor force was estimated to be 17,410 with an unemployment rate of 7.5 percent. Rapid population growth and limited resources have contributed to the relatively low level of educational attainment, with only 26 percent of the population aged 20-24 having completed secondary education or above in 1990.

Pohnpei's economy is a dual economy consisting of: 1) a large traditional (non-money) economy including non-wage work such as agriculture, fishing, and the production of household goods for home consumption; and 2) a cash economy consisting primarily of a government sector which is dependent on financial assistance under the Compact of Free Association with the U.S. and a commercial sector comprised of wholesale and retail trade. Pohnpei's gross state product based on expenditure was estimated at \$57.6 million in 1989. Pohnpei must import a large proportion of its food, fuel, and other commodities for consumption, and the ratio of imports to exports was almost 3:1. In terms of 1991 exports, fish ranked first at \$7.85 million and tourism second

at \$2.61 million. Prior to 1991, tourism was the primary earner of foreign exchange.

3.0 Tourism Market Assessment

Pohnpei has experienced considerable growth in tourism activity between 1981 and 1992 with an average annual compounded growth rate of 9.5 percent. In 1992, there were 12,212 visitor arrivals, the largest group being from Japan (40.2 percent), followed by the U.S. (33.7 percent). Tourists on pleasure trips comprised the largest percentage of these visitors, followed by those who were on private or government business. In order to maximize its advantages based on available tourism attractions, Pohnpei's marketing strategies have focused on special market segments rather than general interest visitors. Market segments considered appropriate for Pohnpei include the dive market, ecotourism/adventure market, cultural/educational tour market, and sport fishing market. Adequate air transportation service is perhaps the most important element in developing a successful tourism industry in Pohnpei. Continental Air Micronesia is currently the only airline providing regularly scheduled international service with an average annual airlift capacity of 58,000 seats. Another discouraging factor in tourism development is the relatively high air fares to and from Pohnpei. There are no scheduled international passenger ship operations at present.

4.0 Tourism Infrastructure Assessment

Pohnpei's 1993 hotel inventory listed 16 hotels with a total of 232 rooms. Most of the hotels were family- or owner-operated, ranging in size from 7 to 39 rooms and located in the Kolonia area. In the absence of any government planning, the hotel room inventory has increased, resulting in relatively low occupancy rates in the 45 to 50 percent range between 1988 and 1991. With another 186 rooms under construction in 1993 and reported investor interest in building resort complexes ranging from 100 to 300 rooms, adverse impacts on the existing hotels are expected lowering occupancy levels considerably. Pohnpei's current hotel rooms are generally in need of upgrading in terms of facilities and services to a standard which would be considered suitable for most international tourists. Pohnpei's land zoning laws have been slow in developing. Classification plans for tourism development involve three types of zones: 1) hotels, motels, and apartments; 2) resorts; and 3) tourism activity sites. Other zoning classifications such as reserved land impact on tourism because they provide land uses that can be shared among both residents and visitors. Most of the land on Pohnpei is either state-owned or controlled by a few private landowners. National law dictates that land ownership be limited to FSM citizens, and this restriction has hampered foreign investment attempts.

Pohnpei's infrastructure is improving, but still largely inadequate to meet present and expected future demand. Both Pohnpei's single-terminal airport and primary seaport are located just outside the town of Kolonia on Dekehtek Island. Plans for further facility development include an expansion (or possible relocation) of the airport and a marina. Most of Pohnpei's paved roads lie in or around Kolonia and are in need of repair. Work is presently underway to complete the paving of a 50.4 mile circular road around the island. Virtually all of Pohnpei's electricity is supplied by imported fossil fuels. Kolonia's water

supply is unreliable and unsafe for drinking and much of the water supply comes from individual water catchment systems. Kolonia has Pohnpei's only centralized sewerage system, but its main sewage treatment plant is inoperable, and raw sewage often finds its way directly into Pohnpei's surrounding waters. The island has no trash collection service, and solid waste disposal is confined to an unsightly dumpsite located near the airport. Basic modes of communication on Pohnpei such as telephone, radio, television, and postal services are available, but limited.

5.0 Tourism Resources Assessment

Pohnpei's attractions include cultural, archaeological and historical sites as well as natural attractions. Pohnpei's most well-known historic attraction is Nan Madol, and other historic and cultural sites can be found in Kolonia. The island's natural attractions include remote mountain wilderness areas for hiking, waterfalls for sightseeing, mangrove ecosystems for scientific study, and ocean reefs for diving. Carvings made from mangrove wood are one of the island's most distinctive crafts. Over 1,200 varieties of fish are found in the waters off Pohnpei providing an important source of protein for local consumption, an added attraction for divers, as well as favorable prospects for commercial sport fishing. Although subsistence farming is prevalent island-wide, commercial farming is limited; nevertheless, tourism exports such as pepper and coconut products like soap and shampoo are successful. Pohnpei's attraction sites are still largely undeveloped, enabling opportunities for alternative, specialized forms of tourism such as ecotourism. Yet, at the same time, its historical attractions are poorly maintained, and a majority of natural attractions are inaccessible. They will require considerable development in terms of access, restoration, preservation, and protection. Another constraint is the level and quality of tourism-related services which will need upgrading in order to attract more visitors and increase their length of stay. Facilities related to recreation and leisure are also limited on Pohnpei. In 1992, there were no tennis courts, swimming pools, or golf courses to complement the hotel facilities. The Pohnpei Tourist Commission listed 16 restaurants, 13 tour and recreational services companies, and 11 car rental agencies.

6.0 Economic Assessment

The economic benefits associated with visitor expenditures include the generation of employment, income, export earnings, and government revenue. Visitor expenditures in 1992 was estimated to be \$5.2 million with direct and indirect tourism employment estimated at 730 jobs. After taking into account import leakage, the total visitor spending was estimated to be about \$3.1 million. The \$5.2 million in visitor expenditures accrues to the Pohnpei state government through the payment of income, gross receipts, import, hotel room, and airport departure taxes. Total national and state government revenue generated by 1992 visitor expenditures was estimated to be about \$470,000. Although tourism amounted to only about 2.3 percent of Pohnpei state's gross domestic product in 1989, it has considerable potential for expansion. In 1992, it was the second largest contributor to exports and accounted for a cumulative foreign investment of \$10.14 million, representing 41.5 percent of the total. Tourism development also involves economic costs including the risk of unproductive government investment in projects

which subsequently are underused or do not effectively serve their intended purpose. Loss of domestic control of development to foreign investors may result in economic losses when operating policies result in employment of foreigners, repatriation of profits, and market control by the foreign investor which ties services to subsidiary companies.

7.0 Sociocultural Assessment

Because Pohnpeian society is still characterized by strong traditional ties, the potential adverse impact of tourism development on values, lifestyles, customs, and other forms of cultural expression is of great concern. The pace and scale of development, control of land, expectations of visitors and residents, and lack of knowledge about tourism and the skills needed to work in the industry are among the major issues. In particular, tourism's economic impact is strongly linked to sociocultural change through employment opportunities since tourism will create jobs and opportunities for individual entrepreneurship. As Pohnpei's population expands, there will be considerable pressure to provide jobs, especially for youth entering the work force. At the same time, Pohnpei's work force is generally undereducated with almost no specific skills. The most important priority is general education for all residents followed by skills training for specific jobs in the industry, mid-management and management level training, professional staff development for government personnel, and self-employment and entrepreneurial training. The primary source of occupational training is expected to be the College of Micronesia, supplemented by institutions abroad or international and regional programs which can provide training assistance on-island.

8.0 Government Tourism Policy Assessment

Tourism development will greatly depend on the policies and administration of the Pohnpei state government. Both the FSM national government and the state government have tourism goals, objectives, and strategies which require coordination to facilitate consistent and effective development programs. The high degree of state autonomy to regulate and manage economic development has resulted in both shared and delineated responsibilities between the two levels of government. In Pohnpei state, the administration of tourism lies with the Pohnpei Tourist Commission (PTC), a semi-autonomous agency with a five-member board appointed by the Governor. The PTC's four staff members perform functions related to marketing and promotion, information dissemination, assistance to tourism-related businesses, maintenance of tourism enterprises, and the regulation of tourism enterprises. The PTC operates under two primary types of funding, the general fund for its staff and operating costs and Compact funds for its attractions and maintenance budget and marketing and promotion budget. Currently, no special funds derived from the hotel room tax or airport departure tax are earmarked for the PTC. Because of the relatively underdeveloped nature of the private sector, the Pohnpei state government is expected to play the major leadership role in tourism development in the near term. In order to exercise this leadership, considerable focus will need to be paid to the strengthening of PTC's marketing research and promotion programs. To assist in this task, external assistance from international, regional, and foreign sources will need to be sought to supplement the limited financial resources of the PTC.

9.0 Sustainable Tourism Development

Pohnpei's tourism attractions based on its natural, historical, and cultural sites are well-situated to appeal to special interest tourism. There appears to be considerable consensus in both the public and private sectors to support a sustainable tourism model as a conceptual basis for Pohnpei's tourism development. The model involves planning which will ensure that the natural and cultural resources are indefinitely maintained and not degraded or destroyed in the process of development. Implementation of sustainable tourism development would entail small-scale, long-term tourism development and the careful monitoring and control of the location, type, and scale of development through effective land use planning and zoning. In order to succeed, tourism policies would need to be actively implemented, strictly enforced, and holistically integrated into Pohnpei's overall development objectives. Based on the criteria of sustainable tourism development, three alternative growth scenarios, referred to as Scenarios A, B, and C, were formulated for illustrative purposes. They are based on visitor growth rates of 10, 15 and 20-25 percent, respectively, beginning with a 1993 visitor count of 11,000. The scenarios are presented in two case years - 1996 and 2001. Of concern in developing these projections was the disparity between the growth rates in hotel rooms and visitor arrivals, a condition which by 1994 was expected to drop hotel occupancies to near 30 percent on average. Thus, an attempt was made to reflect a better balance between hotel room supply and visitor demand by targeting an occupancy rate of 50 percent by 2001. Variables used in determining the outcomes of the scenarios were developed to determine room inventory, visitor expenditures, visitor expenditure income, direct visitor industry employment, total visitor industry-related employment, and government revenue.

Under Scenario A, the "moderate growth" scenario, visitor arrivals would reach 14,600 by 1996 and 23,600 by 2001. This reflects a situation whereby tourism policy would remain basically unchanged although further hotel development would have to be curtailed. Scenario O, the "rapid growth" scenario, would see annual arrivals at 19,000 by 1996 and 58,000 by 2001. It offers the greatest economic benefits, but at the cost of extensive government investment in tourism promotion, training, attraction development, and infrastructure improvements. Scenario B, the "intermediate growth" scenario, would attain 16,700 arrivals by 1996 and 33,600 arrivals by 2001. This scenario illustrates a compromise between Scenarios A and C calling for a modest increase in tourism investment by the state while producing optimum economic gains that are realistic and sustainable. As such, Scenario B has been recommended as the preferred scenario for use in the Pohnpei Tourism Development Action Plan.

10.0 Strategy Recommendations

Among the principal constraints to sustainable tourism development is the inadequacy of governmental policies and strategies to deal with problems of infrastructure, investment, marketing and promotion, land-use planning and zoning, sociocultural impacts, and administration of tourism. The primary thrust of the recommendations is to provide strategies for sustainable tourism development to achieve benefits without excessive sociocultural and environmental costs.

Tourism Policy and Planning

One of the most important functions of a state tourism agency is to undertake the development of a comprehensive tourism plan. This process should coincide with both the state and national development planning process.

Tourism Markets

Future tourism growth in Pohnpei will depend on its major tourism-generating markets and the special market segments. This will require expanded market research and carefully directed marketing efforts, improved cooperation and planning between the public and private sectors, and development of attractive tour packages.

International Air Transportation

Increased visitor arrivals will depend on air carrier seat capacity and reduced air fares which would stimulate travel to Pohnpei. Efforts should be made to seek special reduced fares on flights originating from Guam and Honolulu, regularly scheduled non-stop service from Guam, non-stop charter services from Japan, and alternative, competitive carriers.

Tourism Infrastructure

Continued development of tourism in Pohnpei faces a number of obstacles in terms of basic facilities and services. The staging and programming of development will be influenced by the growth in tourism markets, location and accessibility of sites, the relationship to tourist attractions development, and environmental and sociocultural considerations. Projects of high priority include improvements to the airport and seaport facilities, roads, utilities, and tourism accommodations.

Tourism Resources

The key to sustainable tourism development is the ability to develop, maintain, and promote a variety of attractions. The priority for Pohnpei is to make its attractions interesting and accessible for sightseeing and adventure tourism activities. Tourism attractions (historic, cultural and natural) should be developed incrementally with priority on improving existing accessible sites. Development should be limited to enhancing the natural experience with basic services and facilities provided at the sites.

Economic Initiatives

Appropriate economic policies and strategies should be implemented to enhance the employment and other economic benefits of tourism. To support moderate growth for tourism, government should consider increasing the revenue yield or efficiency of the tax system to finance infrastructure and direct support for tourism development, reexamine constraints placed on foreign investment, ease restrictions on land tenure, encourage domestic investment, and promote intersectoral coordination to reduce import leakages.

Sociocultural Concerns

To reduce potentially adverse effects of tourism development on the resident population, consideration should be given to strategies which seek to protect Pohnpei's traditional culture, minimize potential conflicts which would undermine public support for tourism, and ensure maximum benefits for Pohnpeians. Strategies should include the initiation of tourism awareness programs for the general public and the provision of skills training to prepare the local population for employment in the industry.

Tourism Administration

The Pohnpei Tourist Commission appears to be operating satisfactorily under its current organizational structure although there is a need to increase coordination within government and with the private sector. The establishment of an interagency coordinating council and a tourism industry advisory board should be high priorities. Financial assistance and technical expertise should also be sought from regional, international or foreign country donors.

11.0 Pohnpei Tourism Development Action Plan

The action plan identifies problem areas, establishes guidelines, and provides for a process for periodic monitoring and review. The plan is organized on an eight-year horizon under four broad goal areas (Economic, Sociocultural, Physical/ Environmental, and Administrative). The plan specifies over 100 implementing actions to accomplish major objectives in two phases. Phase I covers the final three years of the current five-year national and state plan period (FY-94 through FY-96). Phase II covers the next five-year planning period FY-97 through FY-2001. The plan identifies the responsible government agencies and cost estimates. Because the completion of many of the projects is dependent on the availability of funds from the Compact of Free Association and other sources, cost estimates are only approximate. Much of the implementation will depend on the regular monitoring of progress and will require flexibility based on changing circumstances and conditions. To reflect these changes, the Pohnpei Tourism Commission will need to review and upgrade the plan at appropriate intervals.