COOK ISLANDS TOURISM 2005-15

A Geotourism Strategy

DRAFT V1.0

10th January 2005
TOURISM MASTER PLAN UPDATE

COOK ISLANDS TOURISM: 2005-2015
A GEOTOURISM STRATEGY

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Kia Orana Chris

TOURISM MASTER PLAN REVIEW

I am pleased to forward the first draft of the report on the review of the Tourism Master Plan. The write up has taken longer than intended as I have sought to do justice to the valuable inputs we received through the consultation phase and to meet the requirement to provide a framework which is aligned with the tourism development principles - that it is economically viable, socially acceptable and environmentally sustainable.

The starting point for the report was my summary in September of the conclusion of Phase 1 in four key statements. This followed the discussions by the CITC Board and staff. They stated:

• the vision is to be the ultimate South Pacific island experience;
• the goal of tourism planning is to develop tourism in a way that sustains and enhances the well being of resident Cook Islanders and their environment, economy, society, and culture;
• the destination style to achieve this will be based on geotourism the plan will be structured to address the quadruple bottom line (environment, economy, society, and culture); and
• the activities in the plan will distinguish between those that are core business for the industry, those to which the industry can contribute, and those that require that other parties (particularly government departments) to be engaged, aligned, committed and resourced.

These themes have been developed using the Logical Framework Analysis approach as discussed. Only a portion of the logframe is presented in the report. The full logframe is in a separate appendix.

It has been interesting to take the analysis undertaken by the National Geographic Society and apply it to tourism in the Cook islands. I believe that it is highly relevant to the long term future of tourism, and with it the well-being of resident Cook Islanders. I have been in contact with the Society's Sustainable Tourism Initiative team which is headed by Jonathan Tourtellot. I received an e-mail recently informing me that
Honduras was recently the first country to adopt an official national geotourism strategy based on a set of geotourism principles. The message went on to say “Jonathan is wondering if the Cook Islands will be the second country to announce such a similar strategy?”

After 14 years of working on a range of projects in the Cook Islands, having had the privilege of visiting nearly every island, and having great respect for the people, my response is that I truly hope so. I believe that this strategy will indeed develop tourism in a manner that is aligned with the triple bottom line principles first articulated by George Ellis’ Aitutaki Tourism Task Force in 1994.

I look forward to reviewing the draft with you, your staff and the Board. I would also like to gratefully acknowledge the inputs from yourself and Trina and all the people consulted in the first phase of the project.

Kia Manuia

Managing Director
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1 Introduction

Tourism in the Cook Islands is at a crossroads. This is nowhere seen better than the choices now before the country on proposed major developments on Rarotonga and Aitutaki. The decisions on these projects will set the pattern for tourism development, and with it the development path for the country, for the foreseeable future.

Approval of the new developments will, to all intents and purposes, commit the industry on Rarotonga and Aitutaki to what the National Geographic Society has called the “rest and recreation” (R&R) style of tourism (see section 3 of this plan). Both projects are of sufficient scale that they will affect the balance of the industry and have a significant impact on their immediate localities. The concerns about these developments cover the full range of potential social, environmental and economic impacts the Society identifies as being typically associated with R&R-style tourism.

In terms of tourism planning, the key issue is that these proposed developments represent a market positioning in which the Cook Islands cannot ultimately be competitive and which ignores its primary resources - its people and their culture.

Rest and recreation-style tourism depends on the physical character of a place but not does not generally depend much on its human character - its culture and heritage. In this case, the “physical” character is the blue skies, deserted white sand beaches, and palm trees of the classic tropical island experience.

This is typified in the award-winning “Visit Heaven...” promotion. In its day it was a brilliant piece of advertising but ultimately what it offers is an illusion. The beach isn’t empty if you go on a boat with 60 other people and the motu are no longer undeveloped once buildings go up to cater for the visitors (what is more, the sand bar turns out to be on Aitutaki when you have booked your stay on Rarotonga!).

The key issue in terms of positioning is that there is little to differentiate the Cook Islands from all the other tropical destinations based on physical characteristics. There are white sandy tropical beaches in countries around the world. What is more, many are easier to get to from major markets than the Cook Islands and have bigger promotional budgets.

Even differentiation on the basis of the mystique of the “South Pacific” only goes so far. Other destinations, particularly Fiji, are much better resourced for R&R-style tourism and have the critical mass that the Cook Islands physically can’t achieve.

The ultimate concern about these proposed developments is their impact on Cook Islands society. The dramatic loss of population following the radical downsizing of the public service in the mid-1990s now means that the tourism industry has started to import workers. The new developments are likely to make this situation worse. Already “Bula” rather than “Kia Orana” is being heard in some properties.

Further R&R-style development on Rarotonga and Aitutaki will also do little for social and economic development in the Outer Islands. Separated by long distances, with falling populations, skewed age structures, and limited infrastructure, the Outer Islands have even less capability to develop R&R-style tourism or capacity to absorb it.

This new tourism plan defines another path for tourism development based on what the National Geographic Society calls “geotourism” - “tourism that sustains or enhances the geographical character of a place - its environment, culture, aesthetics, heritage, and the well-being of its residents”. The path has been identified following the most extensive consultation in the history of tourism in the Cook Islands and careful consideration of the environmental, social and economic issues facing tourism and the country today.

Visit Heaven while you’re still on Earth.
1.1 Background

The new Plan is the result of an initiative of the National Tourism Organisation (NTO), the Cook Island Tourism Corporation to review and update of the Cook Islands Tourism Master Plan (1991), along with the Strategic Guidelines for Tourism Development on Rarotonga (1994) and Strategic Tourism Development Plan for Aitutaki (1995).

The Brief for the update noted the underlying principles for tourism development in the Cook Islands embodied in these documents call for:
the development of tourism in a manner that is economically viable, socially acceptable and environmentally sustainable.

CITC noted that the industry has experienced considerable growth since the late 1990s and development has taken place in a largely deregulated environment. It suggested that there is general recognition that issues of environmental sustainability, economic viability and social acceptability cannot be addressed without proper structures and regulatory procedures being put in place to manage development.

Central to the task was the review of tourism development and its realignment with the three stated underlying principles. The terms of reference indicated that the study should focus on, but not necessarily restrict itself to:

1) an assessment of the current level of tourism development on Rarotonga and Aitutaki with respect to the carrying capacities of the existing infrastructure;
2) consultations with the CITC, tourism industry, government, government departments, NGOs, and the communities in the vaka on Rarotonga;
3) visits to all the inhabited Outer Islands (except Nassau, Suwarrow, and Palmerston) to consult with Island Councils and communities, and review status of tourism resources and relevant island economic and social circumstances;
4) product analysis reviewing current and emerging product;
5) competitor analysis including review of regional tourism trends;
6) review of international and regional aviation trends including discussions with Air Rarotonga, Air New Zealand and the CEO of CITC;
7) analysis of sustainability and preparation of an initial report as a PowerPoint presentation;
8) consultation on the first report through meetings with the House of Ariki, Religious Advisory Council, vaka, industry, government departments, and political parties on Rarotonga, members of the industry and villages on Aitutaki and the broadcast (twice) of an hour long television programme, with video tapes for screening in the Outer Islands.

1.2 Project design

This Plan was prepared in two phases. Phase 1 comprised:

1) statistical analysis (tourism, demographic and economic data) and review of reports and background papers;
2) an assessment of the current level of tourism development on Rarotonga and Aitutaki with respect to the carrying capacities of the existing infrastructure;
3) future development prospects in terms of critical economic, social, physical and environmental factors with optional development strategies;
4) an assessment of development constraints for tourism on each of the islands in the group along with recommendations for sustainable development strategies within the capacities of the island’s primary tourism resources;
5) a review of the overall Cook Islands tourism product in terms of its international marketability and future positioning;
6) international and regional aviation trends and their impact on development potential;
7) identifying and evaluating special problems areas and issues, which are relevant to the concept of environmentally sustainable tourism development; and
8) development of a framework for the operation and management of a tourism development plan to ensure its recommendations are carried out.

CITC stated that it was expected that whilst substantive data and information would be available through desk research, consultation with a broad cross-section of public and private sector interests as well as NGOs via field visits would be necessary.
Phase 2 comprised:
9) development of implementation framework;
10) development of monitoring system and indicators;
11) consultation on the implementation framework through a series of three newsletters; and
12) preparation and presentation of the Final Report.

1.3 Plan development

The review and consultation undertaken in Steps 1-7 identified a range of issues in the current state of tourism and the development path needed to realign tourism with the underlying principles. Tourism on Rarotonga and Aitutaki displays many symptoms of what the National Geographic Society refers to as “destination drift”. This reflects the fact that despite the partial implementation of a number of plans, development has been determined by a large number of individual commercial decisions, rather than a collective vision and a plan for tourism.

This led to the conclusion that realignment with the tourism principles was fundamental to the new plan. Furthermore, of the various styles of tourism, these principles are best expressed in the geotourism approach (rather than the more narrowly focused ecotourism or rest and recreation-style).

The idea of basing the new tourism plan on a geotourism approach was favourably received at the many presentations made in August on the results of the consultation. CITC reviewed the presentation and suggested that the draft vision statement be broadened in scope from its original focus on being the ultimate South Pacific destination for the geotourist/interactive traveller.

The new tourism master plan has been developed within the following framework:

- **vision:** to be “the ultimate South Pacific Island experience”;
- **goal:** of tourism planning is to develop tourism in a way that sustains and enhances the well being of resident Cook Islanders and their environment, economy, society, and culture;
- **destination style:** to achieve this will be based on the geotourism approach; and
- **quadruple bottom line** (environment, economy, society, and culture) which is embedded in the definition of geotourism and the principles of tourism planning in the Cook Islands.

1.4 Structure of this Report

The rest of the Plan is set out in seven sections:

- **Sections 4-6** are the heart of the plan defining the goal, purposes, expected results and the actions required to bring them about. It has been developed using the Logical Framework Approach. This project planning and management tool is widely used in development planning. This approach makes clear ends and means, defines who does what, and spells out how it will be known that the intended purposes and results have been achieved;
- **Section 7** comments on the development opportunities island by island; and
- **Section 8** draws together the themes developed in the report and revisits the choices now before the country.
2 Taking Stock

The goal of tourism planning in the Cook Islands since the George Ellis-led Aitutaki Tourism Task Force in 1994 has been to generate “sustainable growth in tourism in a manner that is economically viable, socially acceptable and environmentally sound.”

The Aitutaki report identified ten barriers to achieving this goal:

- accommodation standards;
- growth limits (in terms of fragile ecosystems);
- constraints on local ownership;
- lack of environmental awareness and protection;
- lack of understanding of the tourism economy;
- lack of motivation;
- threats to cultural integrity;
- need for training/expertise;
- need for enhanced investment vs maintenance; and
- need for enhanced design/aesthetics.

A decade on, and after the most extensive consultation ever undertaken by the tourism sector, it would be fair to say that progress has been made but in many respects, the issues of ten years ago are still with us today.

Two examples illustrate the point. The 1994 report notes in terms of growth limits that: The ecosystem of Aitutaki is fragile and the resource base is limited. Any development, with or without tourism, must be within the capacity of the island to sustain. The planned development for 445 rooms by 1998 would appear to be a level of tourism development which is beyond the sustainable limit of Aitutaki to absorb without causing numerous economic, social, cultural and environmental problems that are detrimental to the interest of both the local community and visitors. This implies that a lower level of development needs to be considered by the people of Aitutaki. If the people of Aitutaki choose a lower limit to tourism development, the community and local entrepreneurs will need to establish controls to regulate the pace and growth of development.

In 2003 the Aitutaki Tourism Study concluded that: “the 250 room ceiling set by the Aitutaki Tourism Task Force in 1994 appears to be valid but that some of the issues that the Task Force predicted at that level are already appearing at the current stock of 176. The projection from this study is that if all the rooms currently under construction or associated with the two existing hotels do go ahead, this could rise to 283 by 2005. Issues like training, the impact on the lagoon, and inadequate infrastructure that are already being felt, will be even more pressing by then.”

Taking a second example, the 1994 Aitutaki report notes in terms of design/aesthetics that: There has been only modest attempts to develop any vestige of Polynesian style or sympathy for the environment. While there are a number of successes, most accommodation would be more in keeping with Mangere (Auckland) rather than a tropical island. Developments which cram as many units as possible onto a property with little sensitivity to the local beauty will reduce the ability of Aitutaki to develop a quality image for tourism.

While the report was written about Aitutaki, the comments applied and still apply equally well to the other islands in the Cook Islands. There are, for instance, well-known examples of “developments which cram as many units as possible onto a property with little sensitivity to the local beauty” (or, indeed, adequate sewerage) on Rarotonga. Few hotels or motels manage to landscape their sites as well as the Pacific Resort properties on Rarotonga and Aitutaki.

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1 Aitutaki Tourism Task Force, (1994), Strategic Tourism Development Plan For Aitutaki, 1994 to 2000, 74pp
What has changed in the period since the Master Plan was written in 1991 is:

- the scale and the character of the industry;
- the degree of dependence of the Cook Islands’ economy on tourism’s foreign exchange earnings;
- the loss of population from most of the Outer Islands and the Cook Islands as a whole; and
- the competition from other destinations.

2.1 Visitor numbers

Overall tourism numbers have doubled since 1991. There was an initial burst in the 1991-1994 followed by four years when no growth occurred at all. There was a dramatic surge in 2000 followed by some consolidation. Apart from the dip in the mid-1990s, the Cook Islands have mirrored or exceeded growth rates in the SPTO area as a whole. Both the Cooks Islands (and the wider Southwest Pacific) coped quite well with the effects of SARS and the terrorist incidents in the United States on “9/11” which hit tourism hard elsewhere.

Within this overall pattern of growth there has been a long-term trend towards increasing reliance on the short-haul markets of New Zealand and Australia where much of the growth in the last five years has come from. Between 1998 and 2003 the proportion of visitors from New Zealand alone rose from 30% to 39% while the proportion from Europe and the United Kingdom dropped from 40% to 28%, with numbers of visitors actually falling after 2000.

It has been generally accepted (although there is no recent data to confirm this) that the long-haul visitors typically stay in the more expensive accommodation and spend more per head while in the Cook Islands. How this may have changed with the increase in backpacker visitors is uncertain.
Looking to the wider region, the number of visitors to the SPTO countries increased by two thirds between 1991 and 2003. In global terms tourism in the South Pacific is small with the region receiving less than 0.15% of world tourist arrivals. The region received 1,076,816 visitors in 2003 (in terms of international tourism the benchmark is set by France which had 75 million international tourist arrivals and an 11% share of worldwide arrivals in 2003).\(^1\)

Within the SPTO region, Fiji has consistently been the market leader over the period since 1991 although its share has been affected by political instability. Without the disruptions of 2000, Fiji could well have reached 500,000 visitors a year by 2003 if growth had followed the long term trend.

The increasing reliance on the short-haul market for the Cook Islands is also apparent for the SPTO countries as a whole, although the trend is nowhere near as marked. Given the major disruptions that have occurred in international tourism in recent years, it is unclear whether there will be an early return to former levels, especially from Europe.

### 2.1.1 Data issues

These visitor statistics need to be treated with some caution as the focus on total arrivals obscures some important underlying differences between the performances of various countries.

For example, the proportion of these visitors who were on holiday varies markedly between countries. In the Cook Islands it ranged from 83-87% between 1998 and 2003.\(^2\) Closer to the other end of the spectrum, Samoa reported 88,971 visitors in 2003 but only 27,231 (31%) of them were on holiday.\(^3\) Fiji was closer to the Cook Islands with 77% of its 430,800 visitors in 2003 on holiday.

Fiji’s data are also more comparable with the Cook Islands data in terms of length of stay with the average for holidaymakers of 8.4 days\(^4\) compared with 9.5 days for the Cook Islands. Both the Cook Islands and Fiji, however, have lower average length of stay than French Polynesia which was 13.7 days in 2003.\(^5\)

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2. New Zealand, for comparison, had 1,083,686 arriving for holiday/vacation in 2003 out of 2.1 M visitors (51%) in terms of length of stay with the average for holidaymakers of 8.4 days\(^4\) compared with 9.5 days for the Cook Islands. Both the Cook Islands and Fiji, however, have lower average length of stay than French Polynesia which was 13.7 days in 2003.\(^5\)
2.2 Competition

Beyond the vagaries of the data there are some underlying structural issues which may influence the longer term competitiveness of the Cook Islands. These relate to both the market power of existing individual competitors as well as the impact of regional initiatives.

The strongest competition in the region is posed by Fiji which has some significant structural advantages in terms of:

- critical mass of the industry (it plans for a billion dollar turnover in 2007);
- a less dispersed geography;
- more established and more varied tourism infrastructure covering the full range from luxury lodges through middle-of-the-road resorts and hotels to backpackers (and including effective inter-island travel in the Yasawas and Mamanucas);
- a developing national airline and better air links (including a planned fifth flight per week to the US early in 2005); and
- a large labour pool with cheaper wage rates.

It is anticipated that visitor numbers will reach 521,000 in 2005 rising to 557,000 visitors in 2006 and 610,000 visitors in 2007. While Fiji Visitors Bureau has an annual allocation of only F$13 million, it is estimated that the combined annual value of the marketing campaign by local resorts, hotels, airlines and the Fiji Visitors Bureau is now F$100 million.¹

Different challenges are posed by French Polynesia and New Caledonia with their financial support from France. While the former suffered a reverse in 2002, the entry of Air Tahiti Nui has contributed to a revival of its fortunes. A direct link to New York is due to open in July 2005. The Ministry of Tourism is now targeting 300,000 visitors and an expansion to 6000 hotel rooms by 2007. This will be based on association of the French Polynesian brand with quality and authenticity and will utilise the special “Destination Polynésie” fund to which the government and principal stakeholders contribute.⁴

New Caledonia on the other hand reached 100,000 visitors in 1997 and then stabilised. It will need some significant initiatives to regain momentum.

While Samoa currently has half the number of holidaymakers as the Cook Islands it could present a significant challenge in the future, in part, in that it is in some respects a more traditional society.

The industry in Samoa shares some similarities with the Cook Islands, with both countries having a limited number of major establishments and several second tier properties (in terms of room numbers) plus many smaller ones. However, Samoa’s National Ecotourism Programme has no direct parallel in the Cook Islands where the focus has largely on the conventional beach/sun/relaxation experience in Rarotonga and the potential of the “Outer islands” has yet to be fully realised. Rarotonga has the beginnings of eco-tourism and there are emerging operations on Aitutaki and Atiu, but overall the ecotourism potential is under-developed in the Cook Islands.

Paradoxically the potential of using ecotourism as a differentiator for the Cook Islands have been diminished not only by other countries having first-mover advantage⁵ but also by the SPTO’s initiative to promote ecotourism across the region through the establishment of a regional Ecotourism Association and improving ecotourism business sustainability as part of the Regional Tourism Strategy.⁶

¹ Fiji Times, 09/12/2004
² Fiji Times, 23/12/2004
³ This is not to imply that the Cook Islands must cut wage rates to compete in this market as this is not the only factor which is in Fiji’s advantage - what it does indicate is that this is a segment which individual properties might compete in but it is unlikely to be effective as a national positioning
⁵ Tahiti Tourism Ministry designated 20 tourist sites for upgrading in 2004 to create “green promenading” places set aside for ecology-minded visitors, SPTO Newsletter, Issue 7, 27/2/04
2.3 Industry structure

The development strategy at the heart of the Master Plan involved:

- accommodation to focus on “full service hotels”;
- no significant new tourist development in any location before the year 1994, except for the Sheraton project;
- ‘natural’ increases in properties and new small scale development (up to 10 units) permitted;
- small-mid scale development (12 to 15 rooms) on Manihiki for official/business ‘traveller’ type traffic;
- development of new small-mid scale (i.e. 30-60 rooms) Polynesian-style resorts between 1994 and 2000, in total adding 120 rooms, all on Aitutaki, but no further new development on Rarotonga (apart from the Sheraton) this century; and
- encouragement of tourism development on the outer islands (i.e. except for Rarotonga and Aitutaki) on the basis of ‘for the islands, by the islands, as they want it’.

For various reasons, including the removal of tourism licensing, this strategy has not been followed. The “Sheraton” did not proceed and growth on Rarotonga has combined some of the extension of existing properties anticipated by the Master Plan with the proliferation of smaller properties and the development of house rentals.

The same pattern of small units at the beach has also occurred on Aitutaki. Also on Aitutaki, the Pacific Resort added a new establishment, the resort on Akitua was extended and upgraded along with extensions and additions of other new smaller properties.

While the focus has not been on “full service hotels” as intended, the growth has been more “organic” and easier to absorb than the major step change of a large new resort. It has also meant a higher level of local participation than might be the case with foreign-funded developments.

The industry is much more complex than it was 13 years ago in terms of the range and sophistication of the services provided. The accreditation scheme now includes:

- accommodation in three classes (hotels/resorts, self-catering, and budget);
- tours/activities;
- restaurants and cafes;
- rental vehicles;
- retail/services;
- taxis; and
- transport/travel agents

The accredited operators already include a number who provide local interpretative and guiding services in the tours/activities category and a sanctuary for the endangered Kakerori on Rarotonga which has a tourism operation - the Takitimu Conservation Area. There is, however, considerable untapped potential for more geotourism services even in the established destinations of Rarotonga and Aitutaki.

2.3 Economic impact

The Cook Islands Budget Policy Statement For Financial Year 2003/2004 projected a GDP for 2004/05 of NZ$212 Million. Based on an estimated 76,616 visitors the Budget Statement projected an income of NZ$107 Million from visitor expenditures, or 50% of GDP.

This represents significant growth (in current prices) since the Master Plan was prepared in 1991. Then the Consultants estimated that in 1988 (the latest year for which data were available) gross tourism expenditure was about NZ$22.7 million. The consultants considered that:

- the minimum contribution of tourism to GDP therefore amounts to approximately 13 percent of the total GDP for 1988 of NZ$85.5 million. However, taxation should also be included in the impact on GDP which at the maximum would add a further NZ$11.2 million to retained expenditure. This would imply that tourism contributed at a maximum of 26 percent of GDP.
- the Consultants have not been able to estimate the extent to which the inclusion of all taxation generated by tourism leads to double counting in the estimation of the contribution of the tourism sector to GDP. Clearly, however, it is likely that the contribution could exceed 20 percent and is clearly a significant economic sector in the Cook Islands.

The growth from about 20% to 50% of GDP reflected in part the strong growth in tourism-related

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services. Between 1995 and 2002, the contribution to GDP of Restaurants and Accommodation grew by 180% compared with an average of 55% for the overall economy.

The 2004/05 Budget statement emphasises the importance of tourism stating:

*The economy is almost completely driven by tourism with a correlation statistic between visitor arrivals and GDP of 0.98 where 1.0 is a perfect correlation. Therefore the forecast of tourism arrivals is the single most important factor in determining the accuracy of economic growth in the Cook Islands.*

The 2004/05 Budget includes a projection for 2005/06 of tourism receipts making up 54% of GDP. In this context, the growing reliance on the New Zealand market (page 4) may be of some concern.

### 2.3.1 Leakage

Revenue from tourism has grown dramatically in recent years with the industry now dominating the economy. But the level of gross earnings only tells part of the story. In fact, the gross earnings from tourism are less important than the net earnings when looking at the direct contribution of tourism to national income. This net income is what is left after taking off all the foreign exchange spending of the tourism industry.

This so-called ‘leakage’ of foreign exchange earnings arises mainly from:
- imports of materials and equipment for construction;
- imports of consumer goods, particularly food and drink;
- repatriation of profits earned by foreign investors;
- overseas promotional expenditures; and
- amortization of external debt incurred in the development of hotels and resorts.

The impact of this leakage varies greatly from country to country depending on their ability to produce the goods and services used by the tourism industry.

The Master Plan consultants estimated that 42 percent of gross tourism expenditure was retained in the Cook Islands, i.e. 58 percent ‘leaked’ overseas. The authors noted that “While this leakage figure appears high it is typical of small island communities which have a high tendency to import goods and services”.

A study by “The Economist” magazine in 1992 ranked the Cooks Islands second of 17 countries in level of leakage with only Fiji having a higher rate (although the Cook Islands figure may not have counted the external debt from what was then called the “Sheraton” project at Vaimaenga). The figure of 50% cited in this 1992 study is lower than that from the Master Plan but of the same order.

> **Leakage of foreign exchange earnings:** Travel and Tourism Analyst No. 3, Economist Intelligence Unit, London, 1992.

There is no up-to-date information about ‘leakage’ of foreign exchange earnings from tourism in the Cook Islands. But there is no reason to believe that the situation has changed much in recent years.

If this is indeed the case, it represents a significant opportunity for tourism to contribute to the wider national benefit by emphasizing locally-produced goods and services. This would help to reduce leakage and boost local production thereby increasing net returns from tourism from any gross level of income. Recent moves in the agriculture sector to grow for the domestic market can be seen to be as positive, especially where they result in import substitution.

2.4 Development issues

A range of development issues were discussed in the report on the consultation and will not be rehearsed here. Two subjects, however, merit further discussion.

2.4.1 Profound public sector influence

The tourism industry is essentially a private sector activity but it is profoundly influenced by public sector policies and programmes. The annual budget allocation to the Tourism Corporation is probably the most obvious. But other departments and agencies have far reaching effects on the quality of the visitor experience.

If the Cook Islands is to realign tourism with the guiding principles of economic, social and environmental sustainability then the public sector must be engaged, aligned, committed and resourced. A number of programmes already under way or under consideration can make a valuable contribution, but more needs to be done in a more effective and focused manner.

People

The people are at the core of the difference between the Cook Islands and other destinations in terms of geotourism. In the front line here are the Ministry of Education, Human Resources Development, and Internal Affairs. Together they cover lifelong education: formal and community-based education and training.

A clear understanding of education and training needs is now required if resident Cook islanders are to prosper in a geotourism-style industry. One outcome may be more emphasis on the skills of guiding and interpretation.

Culture

The vitality of the performing arts is unquestioned but other areas of the tangible and intangible culture need greater protection than they get today. Language and history are clearly vital, just as is the protection of buildings, tracks and other icons. This is an area where a number of departments could all be active including the Ministries of Culture, Works, and Outer Island Affairs as well as island Councils.

Infrastructure

Almost all of the utilities are government owned and operated, directly or indirectly. The current deficiencies (especially energy and water) need to be addressed for the benefit of locals and visitors alike. Government also needs to see how it can foster fast Internet access in the Outer Islands given the growing importance of the Internet in tourism marketing and possibility for distance learning and tourism training.

Environment

While there has been a dedicated Environment service for many years, environmental issues have arisen for various reasons including the way issues often require collaboration between various levels and agencies of government. The new national environment strategy offers the prospect of better coordination but appropriate resourcing and follow through on mandates and enforcement will remain critical.

Outside government

Outside of government, the country’s traditional leaders and non-governmental organisations (NGOs) also have a major role to play. The House of Ariki, the Koutunui, and the Religious Advisory Council all exercise authority in parallel to the parliamentary democracy. There are a number of
examples where extremely positive initiatives have been undertaken by these groups. Koutunui, for instance, re-established raui on Rarotonga to protect the lagoon from over-fishing.

### 2.4.2 Internet

One of the most profound changes in the operating environment of the tourism industry since the Master Plan was written has been the development of the World Wide Web.

In 2001 the World Tourism Organisation Business Council predicted that the Internet might account for one in four travel purchases in main markets within five years. In 2004 the Tourism Industry Association of America reported that:

- more than 64 million Americans used the Internet in 2003 to get information on destinations or to check prices or schedules;
- 42.2 million actually booked their travel arrangements online - 8% up on 2002;
- 29% of online bookers made all their travel arrangements online in 2003, vs. 23% in 2002; and
- though the number of online travel planners is flattening out, the number of planners who take the next step and make a booking continues to grow.¹

This research also showed that 11% of online travellers (or 10 million individuals) claimed to have taken a spontaneous trip that was spurred by an e-mail promotion, discount or offer:

> “I was surprised at the large number of people who say they have registered to receive e-mails or more information from these Web sites, and by the number who said they took a trip they otherwise would not have taken because of an e-mail marketing piece they received. “It seems travel e-mail marketing may be stimulating new travel, rather than travel that would have happened anyway.””²

The demographics of visitors to travel sites in the US are also interesting:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>11.3%</td>
</tr>
<tr>
<td>25-34</td>
<td>19.1%</td>
</tr>
<tr>
<td>35-44</td>
<td>23.6%</td>
</tr>
<tr>
<td>45-54</td>
<td>23.5%</td>
</tr>
<tr>
<td>55+</td>
<td>22.5%</td>
</tr>
</tbody>
</table>

The increase in information searching and booking has been fuelled by the rapid increase in Internet access. By June 2004 23 million households (19.4%) in North America had broadband and a further 53 million (44.4%) had a dial-up connection.³

These developments are not restricted to North America. A forecast for Western Europe’s on-line travel market suggested it could grow from 0.2 Billion Euros in 1998 to 20.2 Billion Euros in 2006 having already reached 11.2B in 2003.⁴

SPTO has recently noted that: “there is a continued trend towards direct distribution of the tourism product, which has been further enhanced through the advent of low cost carriers to several Pacific destinations. We predict that this trend will continue, as Pacific operators improve their Internet offering and product distribution to allow consumers to deal directly with them.”⁵

The Cook Islands is currently letting itself down with its website. It has a somewhat bland look and feel and limited functionality. Sites from competing destinations have a range of useful features including:

- look-up for the US for local experts by zip code;
- extensive links to provide background information which people use in their research;
- brochure requests;
- electronic postcards (helps build database); and
- detailed descriptions of individual islands.

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³ Ted Schadler, (2004), Broadband is the energising force of the Internet today, Forrester Research, 14th July
⁴ C.H. Marcussen (2004), Trends in European Internet Distribution of Travel and Tourism Services, Centre for Regional & Tourism Research Denmark
⁵ SPTO Press Release 29/11/2004
2.5 Outer Islands

The focus of tourism development has primarily been Rarotonga and to a lesser extent Aitutaki. There has also been modest growth in recent years on Atiu, Mauke and Mangaia. Elsewhere tourism development is isolated with public service travel a sometimes significant source of income.

The Outer Islands share a generic set of issues which need to be addressed in planning tourism development:

- tyranny of distance, particularly to the Northern Group (unlike, for instance, the close proximity of the motu in the Yasawas);
- falling populations which ultimately pose a threat to the social fabric of the islands;
- skills and capacity constraints (one of the consequences of the restructuring of the Public Service was that skilled private sector people left because of the smaller markets for services);
- inadequate infrastructure with electricity supply, fuel, water supply, and solid waste disposal recurrent issues;
- decline in other economic activities reinforcing a negative spiral in the island economies;
- under-utilised resources (includes land and buildings) which in some cases are degenerating beyond the point of recovery;
- high cost of imported goods, to individual islands and the Cook Islands as a whole;
- management and budget issues for Island Councils which typically have limited funds for capital development;
- land issues both in terms of the structure of ownership on three islands where loans cannot be secured against the land; and the tendency for other landowners to take an interest when one is making a income of a parcel; and the inability of families to agree on what to do with a property that sees them rot away;
- inadequate protection of heritage resources from lack of manpower, inclination or in some cases understanding of their intrinsic and extrinsic value;
- inadequate environmental protection;
- limited access to development capital and the associated perceived threat of “outsiders” with money who have the resources to develop new ventures that the locals do not thereby excluding them from benefiting from the development of their island;
- modest range of rest and recreation tourism resources;
- lack of promotion and inadequate packaging; and
- limited knowledge of the tourism industry which is reflected in various ways including:
  - supply-side focus - all too often products and services are developed with little understanding of the market, typically by copying someone else;
  - some poor quality operations which in turn provide poor role models for potential new entrants; and
  - failure to appreciate that visitors experience the whole of an island not just the tourism sites and that, for example, a poorly-managed landfill is inconsistent with trying to develop ecotourism. These issues are common in the development of remote islands and do not represent fatal flaws. However, they are a constraint on the pace of development.

2.5.1 Population

A central issue in development planning for the Outer Islands is the marked decline in population in recent years. All of the Outer Islands lost population between 1996 and 2001, some dramatically:

<table>
<thead>
<tr>
<th>Island</th>
<th>Population Loss 1996-2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penrhyn</td>
<td>41%</td>
</tr>
<tr>
<td>Atiu</td>
<td>35%</td>
</tr>
<tr>
<td>Mangaia</td>
<td>33%</td>
</tr>
<tr>
<td>Rakahanga</td>
<td>32%</td>
</tr>
<tr>
<td>Mauke</td>
<td>28%</td>
</tr>
<tr>
<td>Mitiaro</td>
<td>28%</td>
</tr>
<tr>
<td>Nassau</td>
<td>27%</td>
</tr>
<tr>
<td>Manihiki</td>
<td>23%</td>
</tr>
<tr>
<td>Aitutaki</td>
<td>19%</td>
</tr>
<tr>
<td>Pukapuka</td>
<td>15%</td>
</tr>
<tr>
<td>Palmerston</td>
<td>2%</td>
</tr>
</tbody>
</table>

This is part of a longer term trend with Mangaia now down to 36% of its maximum population and most of the islands with less than 60% of their maxima.
The population changes have resulted in skewed demographic structures which also have development implications.

The dependency ratio is a measure of the percentage of a population who are considered too young or too old to work.\(^1\)

Dependency ratios for four Outer Islands (Nassau, Palmerston, Pukapuka and Mitiaro) exceeded 100% in 2001. Manihiki had the lowest dependency ratio with 56%, but this was still 2% higher than New Zealand’s.

Nassau (129%), Pukapuka (96%) and Palmerston (90%) are particularly high in terms of child dependency while Palmerston (38%), Mitiaro (23%), Mangaia (21%) and Atiu (19%) have high, old age dependency ratios.

The population structure of the Outer Islands also differs from Rarotonga in terms of gender balance. The ratio of males to females between the ages of 15-64 varied from a high of 141 males to 100 females on Manihiki to a low of 95:100 on Mangaia and Mauke and 96:100 on Rakahanga.

This has implications for the tourism labour force as does the extent to which people are already employed by the government. This ranged from 20% on Manihiki with its pearl industry, to 90% on Pukapuka, Nassau and Rakahanga. The balance between public and private employment would change with new opportunities but there might need to be an inducement to shift from the apparent security of the Public Service.

\(^1\) It is calculated by adding the number of individuals aged below 15 and above 64 and dividing the sum by the number of individuals aged 15 to 64.