

Towards new tourism development strategies in Cook Islands

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Tourism has grown considerably in Cook Islands over the last 25 years, and is now the dominant sector in the economy. Visitor numbers have risen from less than 10,000 in 1976 to nearly 73,000 in 2002.

While tourism is crucial to leading the future economic growth of Cook Islands, it is a complicated industry that indirectly affects many other sectors of the economy. It is important that clear strategies are formulated and that government (working closely with the private sector) should promote the roles of coordination and facilitation for the future development of the industry.

There are five key economic sectors in Cook Islands—tourism, agriculture, marine resources, offshore financial services, and local industry and services. Tourism is clearly the sector of priority, to which the other sectors have various linkages. For example

- increasing tourist numbers provide a larger domestic market for local agriculture
- increasing tourism provides more opportunities for selling marine resource products (such as high-value fish and pearls)
- wider exposure of Cook Islands through an expanding tourism sector assists with marketing the country as an offshore finance centre

- increasing tourist numbers contribute to the growth of local industry and services, including import-substitution activities (such as processed foods, beverages, garments, handicrafts, arts and culture including music, as well as a wide range of other supporting services including banking, motor repairs, general retailing, restaurants, and so on).

Around half of the Cook Island's GDP is constituted by estimated tourism sector receipts. Nevertheless, other sectors of the economy (such as agriculture and marine resources totalling 16 per cent, and finance and business services estimated at around 10 per cent of GDP in 2000) are clearly of fundamental importance also, and future growth strategies for the economy should not depend entirely or exclusively on tourism sector earnings and investment.

Recent tourism sector performance

During the five-year period 1998–2002, annual visitor arrivals in Cook Islands increased from around 49,000 in 1998 to nearly 73,000 in 2002. While there is a range of factors impacting tourism arrivals in any particular period, there is no doubt that Cook Islands benefited from political instability in

other South Pacific tourism destinations, such as Fiji, Vanuatu and Solomon Islands during this time. It is important to note that this recorded 50 per cent increase in the 1998–2002 period came from an historically low base, given the earlier downturn in the industry which commenced in 1995. In the early 1990s, visitor arrivals in Cook Islands were in excess of 50,000 persons per annum, in part boosted by the Pacific Arts Festival held in Rarotonga in 1992. Visitor arrivals in 2002 (72,781) were slightly down on the 2001 total (74,575), although the figures for the December 2002 quarter are more than 10 per cent up on the equivalent period in 2001.

The predominant tourist source markets for Cook Islands are New Zealand, Europe, North America and Australia. This relative diversity in source markets is a strength of the industry, given the vagaries of international tourism. For example, visitor arrivals from North America and Europe declined somewhat during 2002, perhaps because of the September 11 tragedy. However, this decline has been partially counter-balanced by increased arrivals from other source markets, particularly New Zealand.

The recorded average stay in Cook Islands for visitors since 1998 was 9–12 days. One possible strategy for the future development of tourism could be to seek an increase in the average length of stay by expanding the range of attractions within the country.

Tourist accommodation availability and occupancy rates

The total number of operating tourist accommodation establishments in Cook Islands has not changed significantly in recent years, but actual rooms and beds available have increased noticeably. In 2001, there were 793 rooms available in 35 establishments, up from 757 rooms available in 32 establishments in 1998. An even greater increase was recorded in the number of beds available, from 1,989 in 1998 to 2,346 in 2001.

These data provide a broad indication of the extent of ongoing investment in the tourism industry in Cook Islands in recent years.

Overall room occupancy rates have also increased in recent years, from 58.4 per cent in 1998 to 68.2 per cent in 2002. In 2000, the recorded room occupancy rate was even higher, at 76.3 per cent. In general, the larger establishments (more than 20 rooms) show the highest room occupancy rates.

Economic impact of tourism

Total direct employment (full time and part time) in accommodation establishments has grown strongly in recent years. In 2002, employment was recorded at 640 persons, compared to around 400 persons in 1998. The majority of the increase in employment has been in full-time jobs, and more than 90 per cent of these employees are Cook Islands residents.

The data currently available on the economic and financial impacts of tourism in Cook Islands are limited, particularly in regard to the average expenditures of tourists and the 'leakage' of these expenditures out of the country. The increase in tourist arrivals in recent years has contributed to a rise in the estimated percentage of direct tourism expenditures in GDP. An Asian Development Bank review of the economy in 2001 suggests that around 51 per cent of GDP in 2000 was constituted by estimated tourism sector receipts.

Broad estimates prepared in the latter part of the 1990s suggested that around 50 per cent of all tourist expenditures 'leaked' out of the country, through imports to service the tourism industry as well as other transfers. Clearly, an important strategic issue for the tourism industry is to reduce this leakage factor, by promoting locally produced goods and services for consumption by tourists, as well as by encouraging the highest possible participation by Cook Islanders in the industry. Retained income from expenditure by tourists effectively represents the 'export' earnings of the tourism sector.

Tourists also contribute directly to public revenue by paying departure tax and value-added tax. For example, net value-added tax collected from hotels and motels in 2002 constituted more than 21 per cent of the total value-added tax collected in that year. Less directly, income taxes on employees in the tourism industry and taxes on businesses serving tourists contribute to public revenue, as well as tariff revenues from imported goods sold to tourists.

Issues, opportunities and constraints for tourism

Given the relatively complex and multi-faceted nature of the tourism industry, there are many issues, opportunities and constraints relevant to the future growth of the industry. Some of these are reasonably amenable to intervention measures within Cook Islands, through new public policy measures by government and/or by actions taken by the industry players themselves. Other issues, opportunities and constraints are more intractable (such as fundamental infrastructure problems), and some are global in nature (such as aggressive marketing campaigns by tourism competitors of Cook Islands, as well as changing demand and supply patterns in the world tourism market).

An indicative 'short list' of pertinent issues, opportunities and constraints for the tourism industry in Cook Islands includes accommodation availability, standards and pricing; accessibility issues, especially air transport; tourism market potential; external (and internal) tourism marketing expenditures; sub-regional and regional (South Pacific) market development; resident population and tourism workforce availability; supporting utilities infrastructure (water supply, liquid and solid waste disposal, electricity); environmental sustain-

ability; socio-cultural capacity, such as possible adverse community reactions to rising tourist arrivals; and possible additional tourist attractions (specialised ecotourism products, gaming facilities in resorts, various niche marketing opportunities). Each of these matters requires substantial analysis beyond the scope of this article.

Accommodation availability

During the 1980s and 1990s, the conventional wisdom of tourism planners in Cook Islands focused on the development of major new hotels. For example, the Asian Development Bank's *Tourism Master Plan for Cook Islands* (1991), envisaged the completion and commencement of operations of a large-scale Vaimaanga (Sheraton) Hotel (around 200 rooms) on Rarotonga by mid 1993. A decade on, the project remains incomplete, and with no apparent resolution of the various difficulties involved with the venture. If completed, this single project has been estimated to require up to 400 staff to maintain a five-star service, which alone would represent about 60 per cent of the total tourist accommodation workforce currently employed in the whole of Cook Islands.

Another example is the *Cook Islands Tourist Accommodation Study* (1987) undertaken by Pannell Kerr Forster for the Cook Islands Government, which proposed a new 100 room hotel on Rarotonga (Avarua) as well as a major expansion to the Rapae Resort Hotel on Aitutaki, adding approximately 60 rooms.

These various large-scale tourist accommodation projects did not eventuate or, as in the case of the Vaimaanga (Sheraton) Hotel, have yet to be completed. The growth in total tourist accommodation noted earlier was achieved through various smaller-scale projects, as well as incremental growth of existing operations. Some may consider this outcome fortuitous and more in keeping with the overall tourism 'product' of Cook Islands

(at the same time contributing to higher levels of industry participation by Cook Islanders). Nevertheless, the future development of large-scale tourist accommodation projects (typically involving foreign investors, developers, operators and personnel) in Cook Islands remains an important strategic issue. An important continuing factor in this context is the land availability and land tenure difficulties in Cook Islands associated with assembling large land holdings with land titles suitable for long-term and large-scale tourist accommodation investment.

Accessibility

A key strategic issue for the tourism industry is international airline access, including the frequency and cost of air transport. Fifteen years ago, up to six international airlines provided scheduled services to Cook Islands, however many have since ceased their services and today the country is almost totally dependent on one international operator (Air New Zealand). An encouraging factor in this regard is the recent commencement (since December 2002) by Aloha Airlines (based in the United States) of scheduled services to Cook Islands from Hawaii. It appears that there is limited prospect in the foreseeable future for major new, long-haul operators to enter the market, as had been considered previously, such as direct flights from Asia (Tokyo) and North America (Los Angeles) using Boeing 747-400 aircraft. In any event, such a future possible development would require a major extension to the existing airport runway on Rarotonga.

Also important are the opportunities to develop closer air linkages between neighbouring tourism markets in the region, especially with Samoa, Tahiti, Fiji, Tonga and Niue. Within in this sub-region, there would appear to be important opportunities for Cook Islands to develop appropriate alliances to promote 'multi-destination' tourist travel. Past experience in this regard

has demonstrated the multi-destination concept to have real market potential, such as the previously marketed combination of Samoa and Cook Islands, as well as New Caledonia and Vanuatu. Potential links with Tahiti, which appears to be approaching maturity in its market as a single destination, could be an important strategic initiative for the Cook Islands tourism industry. To do this it is necessary to have the appropriate air linkages in place first, and the commercial complexities involved in establishing such new linkages should not be underestimated.

Cook Islands has a comparatively well developed domestic airline service (Air Rarotonga). This service has continued to prosper, and has plans for future improvements in its services to the outer islands. This should assist with the further development of outer islands tourism, which (though small in absolute terms) plays an important role in diversifying the overall tourism product, and can contribute to increasing the average stay of tourists in Cook Islands.

Tourism market potential

Consideration of the tourism market potential in Cook Islands may be undertaken from several perspectives, such as tourist demand and the country's ability to supply that demand (including accessibility and accommodation issues). Market potential can also be viewed in the short term, as well as in the medium to longer term, including the market 'positioning' of the country and its desired 'target mix' of tourists in terms of source markets, visitors' daily expenditure, and preferred quality standards of accommodation and other tourist facilities.

In the immediate future, current accommodation capacity can sustain a sizeable increase in visitor numbers. The key constraint in the short term is the limited air accessibility, however, the recent commencement of the additional international

service to Cook Islands from Hawaii can be expected to boost visitor numbers.

In the medium to longer term, the future of tourism development in Cook Islands can be viewed in the context of tourism prospects for the wider South Pacific region. The relatively small scale of the tourism industry means that it should be possible to attract sufficient numbers of visitors in the future, almost irrespective of the wider global trends in the international visitor market. In this respect, Cook Islands does not pose any tangible threat to the major tourism players in its immediate region (Fiji, French Polynesia, New Caledonia and Vanuatu). Rather, Cook Islands has clear opportunities to benefit from future growth elsewhere in the total South Pacific market, including Australia and New Zealand.

Needless to say however, even with this upbeat outlook, the South Pacific region in general, and Cook Islands in particular, must still compete with the aggressively marketed and much larger (in tourism terms) Indian Ocean and Caribbean regions, especially for long-haul visitors from major metropolitan source markets. Collaborative promotional programs with other key markets in the region, as well as cooperative advertising with the key airlines (such as Air New Zealand) represent major avenues for future market development.

Tourism marketing expenditures

External marketing activities are a crucial element in attracting more tourists. In part, the slump in tourism in Cook Islands in the mid 1990s was due to the governments' cash flow difficulties during that period, resulting in reduced external marketing expenditures. While current comparative expenditure estimates are not readily available, Cook Islands has typically spent much less on external tourism marketing than some of its regional competitors, such as Tahiti and Fiji.

There is growing recognition of the importance of internal tourism marketing

expenditures, such as the promotion of visits to the outer islands by international tourists based in Rarotonga, as well as in Aitutaki. Such expenditures not only boost the prospects for outer island tourism *per se*, but also add to the diversity of the overall Cook Islands tourism product, and can contribute to extending the average stay of tourists.

Regional market development

As noted earlier, and subject to the enhancement of regional air linkages, there appears to be potential for Cook Islands to develop multi-destination marketing packages. For example, significant factors in favour of promoting such linkages with Tahiti (as well as with Samoa and other markets) are the closeness of these countries; perceived price advantage of Cook Islands (especially with Tahiti, which is often perceived as a 'high cost' destination); scale of financial resources already dedicated to promoting Tahiti; the permanent representation of Tahiti in the European market; and complementarity of the tourism product (offering an English-speaking Polynesian experience).

Tourism workforce

Lack of a suitably trained labour force is generally considered to constitute one of the fundamental constraints to successful tourism development in Cook Islands. Scenario studies undertaken during the 1990s, based on a minimum level of development of 1,500 rooms on Rarotonga alone, demonstrate convincingly that it would be extremely difficult to provide enough tourism industry workers without engaging significant numbers of foreign staff. This is despite the major downsizing of the public service during the 1990s, making due allowances for productivity increases, and recognising the potential of tourism industry training programs.

Should any major new hotel projects commence, such as the long anticipated

Vaimaanga (Sheraton) Hotel, it is very difficult to envisage that they could draw sufficient labour from the existing workforce, and in any event would have to increase average wage levels significantly to attract staff. While it might be possible to attract some Cook Islanders living overseas, this would only appear to be feasible with significantly increased wage levels. The only practical alternative would appear to be to allow more foreign workers to enter the country, which has traditionally not been seen as desirable public policy.

Utilities infrastructure

Another fundamental constraint to future tourism development, especially for large-scale projects, arises from the severe limitations on utilities infrastructure. These are extremely basic in nature, including water supply, liquid and solid waste disposal, and power generation. While in theory these matters are all amenable to 'engineering' solutions, it is readily apparent that these can usually only be achieved with increased costs of service provision. For example, water supply constraints are amenable to solutions such as desalinisation plants, but with capital and operating costs which can readily become prohibitive.

Environmental sustainability

Environmental sustainability constitutes another constraint to tourism growth in Cook Islands, particularly given the extremely limited land area. The relationship between tourism and the physical environment is close and direct; without an 'attractive' physical environment, tourism will not prosper, and indeed it might fail.

Environmental issues are closely linked to land use. If land development continues in the relatively haphazard manner of recent years, there are several potentially damaging results. On Rarotonga, land development and

building has accentuated the pattern of ribbon development by increasingly infilling the gaps along the Are Tapu coastal ring road. Areas previously in taro swamps have been taken out of production, contributing to the dependence of the population on imported foods (through loss of prime agricultural land and other environmental problems caused by soil run-off and ensuing sedimentation in the lagoon). Such inefficient patterns of urban growth can also prejudice the attractiveness of Rarotonga for tourists.

There is clear potential for damaging environmental impacts from the use of land for agricultural production in areas important to the tourism industry, including the overuse of chemicals such as insecticides, herbicides and artificial fertilisers, and indiscriminate disposal of wastes from livestock production. There exists a trade-off between maintaining the tourism resource potential in terms of its natural environment, and undertaking increased agricultural production which could jeopardise the tourism resource. The highest priority must be to protect the physical environment to support the tourism industry. This trade-off potential has been apparent on Rarotonga and Aitutaki for some years.

Socio-cultural capacity

The precise socio-cultural capacity of Cook Islands to absorb more tourists is unknown, both in absolute terms and in terms of declining resident–visitor ratios. In comparison to other South Pacific tourist destinations (such as Tahiti and Fiji), Rarotonga would appear to be very crowded, when measured in terms of tourist numbers per total land area, and the resident–visitor population ratios. Such comparisons are of limited real value, and each such situation needs to be judged on its precise merits. Socio-cultural absorption capacity is also an issue of both the absolute scale and concentration of visitor numbers, as well as the rate of change.

The 1995 Rarotonga Tourism Taskforce Report suggested the critical threshold for the resident–visitor population ratio was around 5:1. That is to say, should the ratio of residents to visitors on the island decline below this threshold at any time, a range of negative reactions to tourism (and other aspects of social stress attributable to the interaction between tourists and local residents) might arise.

Taken literally, the 2002 population statistics would indicate that this suggested critical threshold has already been exceeded, given that the recorded total resident population in Cook Islands was just 13,500 persons, with an additional 4,900 visitors at the time. Some caution appears warranted in this context, given that there appears to be no imminent threat of major social stress. From an external observer's perspective, Cook Islands would appear to be quite resilient in such socio-cultural terms, and it is not readily apparent that major concern is necessary at this time.

Additional tourist attractions

There remains considerable scope for adding to the current range of attractions for tourists to Cook Islands. Several examples include the increasing worldwide interest in the environment, and the scope to develop and promote ecotourism products. These might be specifically linked to the growing interest in the outer islands and the more remote islands of the Northern Group, including the special case of Suvarrow atoll, as tourist destinations.

Other examples are related to the availability of new and emerging technologies applicable to the tourism industry, such as super-light aircraft flights, enhanced facilities for visits by cruise liners and yachts, and the possible introduction of appropriate gaming facilities. There are clearly various 'niche' marketing opportunities (such as the weddings market) which Cook Islands might further exploit.

Towards new Cook Islands tourism development strategies

While this paper provides some observations on developing future tourism strategies, it is useful to remember that numerous strategies have been prepared for Cook Islands over the last 15 years including

- Cook Islands Tourist Accommodation Study, 1987, prepared by Pannell Kerr Forster (Australia) for the Cook Islands Government
- Tourism Master Plan for Cook Islands, 1991, prepared by the RPT Economic Studies Group (United Kingdom) for the Cook Islands Government with Asian Development Bank Technical Assistance funding
- Cook Islands Tourism Master Plan Implementation Assistance Program (CITMPIAP), being a range of activities carried out over an approximate period of five years in the mid 1990s by Dialogue Consultants (New Zealand) with funding through the New Zealand Government aid program to Cook Islands
- Aitutaki Tourism Task Force, Aitutaki Plan, 1994
- Rarotonga Tourism Task Force, Rarotonga Strategic Guidelines, 1995
- A 'comprehensive policy and strategy statement for tourism development' in Cook Islands was a stated component of the ADB-supported Economic Restructuring Program (ERP) in Cook Islands in the latter half of the 1990s, although it remains unclear that this was ever completed, at least as a stand-alone document.

Of all these efforts to develop such tourism strategies for the country, only the 1994 and 1995 Task Force reports would appear to retain any currency, and clearly these documents are now quite dated and are not widely available. Consequently, it appears

opportune that renewed efforts are being made at this time to develop new and appropriate tourism strategies for Cook Islands.

New tourism strategies for Cook Islands need to recognise that two separate (though linked) sets of issues need to be addressed. First, there are clearly numerous technical issues to be examined in terms of what are the best directions in which the industry should go, and how these directions should be determined. It is evident that appropriate strategies need to be tailored to the precise circumstances in Cook Islands; while much can be gleaned from tourism development experience throughout the South Pacific region and elsewhere, there is always the need to ensure that any proposed new strategies are actually workable in the Cook Islands context.

Second, assuming it is possible to identify clearly the desired technical strategies to be adopted, the available means of implementation of the desired strategies need to be examined. Clearly, budgets will be tight, staff resources constrained and legal powers limited. Even with the best technical strategies in the world, if there are inadequate means to implement such strategies, then the prospects for success are not bright. Typically this means that close attention must be given to the relative priorities of the various different components of the strategies. That is, the focus of efforts to implement the strategies needs to be on the most important components. In turn, this usually means that the overall strategies should be realistic, achievable, and not overly ambitious.

It is highly desirable that such strategies should be readily available to tourism industry participants and other directly interested parties, as well as to the public at large. Further, they should be subject to active monitoring and regular review (at least every two years, if not annually) and not presented as being permanently cast in stone. That is, it is to be expected that the precise contents of such strategies will change over time, and

different measures found to be more appropriate, in response to changing circumstances and as new opportunities arise for the tourism industry in Cook Islands.

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