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Rising cruise ship tourism

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Tourism is now the leading foreign exchange earner for Fiji.

Among all foreign exchange earners, including commodity exports and three non-debt creating transfers of capital, namely aid, foreign direct investment and remittances, tourism is the gold medal winner.

In 2014, tourism contributed F\$1.4 billion. Its share of GDP was 16%. It relegated sugar, to a distant third place, with its share being 2.4% of GDP.

In 2015, tourism earnings were F\$1.6 billion. It will soon be reaching F\$ 2 billion, if tourist arrivals finally reach the elusive figure of one million. The estimate for 2015 was a close 755,000.

In the first quarter of 2016, tourist earnings were F\$341 million, which is a rise of 9.7% over the corresponding period last year. Hotels turnover to the total earnings are around 55% to 61%; and the rest goes to tour operators and restaurants, night clubs and others, mostly in the formal sector.

Substantial foreign direct investments by international chains of resorts and hotels and domestic investors have made Fiji a popular, attractive and safe tourist destination in the South Pacific for all categories of tourists. Most important category is families travelling with children during vacation periods in Australia, New Zealand and North America.

World Bank Study

The World Bank study says tourism receipts of Pacific island countries (PICs) for 2013, the most recent year for which full data are available were US\$1.4 billion. It was a record, as it happened with another record of 1.4 million overnight visitors who arrived across eleven PICs. Fiji, PNG, Palau, Samoa and Vanuatu emerged as top five destinations. Two thirds of visitors traveling to PICs are from Australia and New Zealand. The US, China, Japan and Europe offer some significant growth potential.

The 2016 World Bank study estimates that PICs can gain as much as US\$1.8 billion per year and create up to 128,000 additional jobs by 2040.

Fiji's close proximity to Australia and New Zealand as well as direct non-stop flights by Fiji Airways from Los Angeles, Seoul and Hong Kong and China, have already contributed to tourism growth.

Cruise ships

A recent phenomenon is the rising trend in cruise ship arrivals bringing literally ship load of passengers to Fiji's shores. They are mostly holiday travelers, retirees and senior citizens. In the late 1980s, these cruise ship trips were confined to Vanuatu and New Caledonia. They are still thriving, boosting tourism to new heights.

Cruise ship travel companies have included Fiji as a port of call since the late 1990s. They have also increased their trips during last five years or so. Cruise ship travelers arriving in the two ports of Fiji, Lautoka and Suva, do not spend more than a day. They arrive early hours of the morning and leave around sunset. During this short period, they visit unique attractions including places of historical interest of colonial heritage. The data on cruise ship passenger arrivals are available only from 1996.

The average annual number of cruise ship passengers during 1996-2000 were 14, 200. They rose to 45,200 annually during 2006-2011. In 2014 they were 88,000.

Direct expenditures include expenditure by passengers going ashore on the day of their visits (including local portion of pre-purchased tours); expenditure by cruise companies on services such as port agent services, and port/landing fees and dues; expenditure by crew members going ashore (concentrated on food/beverage and local transportation).

Vanuatu study

There has not been any known study on Fiji's tourism earnings generated by cruise companies, similar to the one on Vanuatu. The World Bank study on 2013 cruise ship trips to Vanuatu reveals that passengers, crew and the cruise companies spent a total of A\$34.6 million in 2013.

Cruise ships arrive early morning in any of the three towns (Port Vila, Luganville or Mystery Island). In 2013, their one day stay generated revenue for government by way of taxes and fees A\$3.4 million. They spent A\$10 million on tours and entertainment; A\$4.2 million on duty free shops; A\$4.1million on souvenirs; A\$3.2 million on local transport; A\$3.2 million on services; A\$ 2.6 million on retail; and A\$2.3 million on food and beverages.

Except for the organized tour and restaurants operators, most of the expenditure generated incomes for the informal sector. Souvenirs and retail services and domestic transport mostly provided by local buses, individual ownership basis, were in the informal sector. Temporary kiosks providing ethnic food were also in the informal sector.

In Fiji also, when cruise ships arrive, the informal sector gets active: handicraft and souvenirs sellers, food stalls and kiosks, and other small scale enterprises mushroom around the ports; part time guides and unofficial tour operators swarm around the travelers. Taxis ply to museums and parks and historical places of interest.

The dollars earned are spent on consumption, medical care and other essentials. If savings are not mobilized by financial sector institutions they tend get spent on more consumption, some needless; and mostly avoidable and wasteful.

If the savings are deposited in banks and saving institutions, they could be recycled as small loans to needy investors who want to expand their small and medium enterprises.

That brings us to discuss the ongoing financial inclusion efforts in Fiji. More on that will be in the next week column, teasing out results of a joint study with an USP academic, published in an international journal.

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