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AN EVALUATION OF THE ROLE AND EFFECTS
OF TOURISM POLICIES ON THE DEVELOPMENT AND GROWTH
OF THE TOURIST INDUSTRY IN NEW ZEALAND AND IN FIJI
- A COMPARATIVE STUDY

A Thesis Presented in Partial Fulfilment
of the Requirements for the Degree
of Doctor of Philosophy in
Business Studies
at Massey University

ALIEU BADARA SAKA TAAL

1982

CONTENTS

	<u>Page</u>
<i>CERTIFICATION</i>	viii
<i>ACKNOWLEDGEMENTS</i>	ix
<i>LIST OF FIGURES</i>	x
<i>LIST OF TABLES</i>	xi-xv
<i>ABBREVIATIONS</i>	xvi
<i>ABSTRACT</i>	xvii-xxi

PART 1

CHAPTER 1 INTRODUCTION: TOURISM POLICY

<u>RESEARCH, DESIGN AND STRATEGY</u>	1-27
A Introduction	1
B Research Hypothesis	2
C Method of Analysis	3- 7
D Method of Research	8-13
1) Observational Method	8- 9
2) Interviews	9-10
3) Official Documents and Statistical Records	10-13
E Definition of Concepts	13-27
1) Structure	13-14
2) Function	14
3) System	14
4) Policy	14-15
5) Development	15
6) Tourism	15-18
7) Tourism Policy	18
8) Tourism Development	18
9) Tourist	18-26
10) Tourist Industry	26-27

PART II: New Zealand

CHAPTER 2 A HISTORICAL BACKGROUND TO GOVERNMENT

<u>INVOLVEMENT IN TOURISM DEVELOPMENT IN NEW ZEALAND</u>	28-53
A Introduction	28

B	The Beginnings and Early Stages of Government in Tourist Industry Development: Pre World War II	28- 33
C	The Post World War II Period: Changes in Government Attitude - 1945 Onward	33- 50
	Conclusion	51- 53

<u>CHAPTER 3</u>	<u>THE EFFECTS OF GOVERNMENT POLICIES ON THE GROWTH AND DEVELOPMENT OF TOURIST ACCOMMODATION</u>	54- 79
	Conclusion	78- 79

<u>CHAPTER 4</u>	<u>THE "TOURIST PRODUCT" OF NEW ZEALAND - THE METHODS OF PROMOTION AND MARKETING</u>	80-108
A	Introduction	80- 81
B	The Major New Zealand Overseas Tourist Markets	82- 86
C	The Tourist Product of New Zealand and Visitor Activities	86- 89
D	Promotion and Marketing of New Zealand Tourism	90-107
	Conclusion	107-108

<u>CHAPTER 5</u>	<u>THE ROLE AND POLICY REQUIREMENTS OF THE TRANSPORT SECTOR OF THE NEW ZEALAND TOURIST INDUSTRY</u>	109-140
A	Introduction	109-110
B	International Air Passenger Arrivals	110-120
C	Air New Zealand	120-127
D	Domestic Air Transport	128-129
E	Road Transport	129-132
	1) The Rental Vehicle Service	130-131
	2) Coach Tour Service	131-132
F	Tourism Policies for the Transport Sector	133-137
	Conclusion	137-140

CHAPTER 6 NATIONAL PARKS AND RESERVES

MANAGEMENT POLICIES AND TOURISM

<u>DEVELOPMENT IN NEW ZEALAND</u>	141-192
A Introduction	141-142
B Concept of National Parks	142-150
C The Evolution of National Parks in New Zealand	151-161
D Reserves and Domains	161-165
E Environmental Land Use for Tourism Development	166-181
F The Economic Importance of National Parks and Scenic Environmental Areas	181-191
Conclusion	191-192

CHAPTER 7 THE PERSONNEL AND TRAINING REQUIRE-

MENTS AND TRAINING ORGANISATIONS

AND POLICIES OF THE NEW ZEALAND

<u>TOURIST INDUSTRY</u>	193-219
A Introduction	193-194
B The Employment Content and the Training Organisation of the Hotel and Catering Sector	195-199
C Training and Recruitment Problems of Personnel in the Hotel and Catering Sector	199-205
D The Employment Content of the Tourist and Travel Service Sector	205-212
E Training Problems for Personnel in the Tourist Industry	212-214
F The Types of Policies Governing Personnel Recruitment and Training for the Industry	214-218
Conclusion	218-219

PART III: Fiji

INTRODUCTION

220-221

CHAPTER 8 A HISTORICAL BACKGROUND TO THE
DEVELOPMENT OF THE TOURIST INDUSTRY
IN FIJI

222-244

- A Introduction 222
- B Historical Background of Tourism
Development in Fiji 223-227
- C Growth Trends of the Tourist
Industry 227-234
- D Tourism and the Economy 234-243
- Conclusion 243-244

CHAPTER 9 TOURIST ACCOMMODATION DEVELOPMENT
IN FIJI: POLICIES AND STRATEGIES

245-262

- A Introduction 245-246
- B The Hotel Aid Ordinance 246-250
- C The Pattern of Growth of the
Tourist Accommodation Sector 250-256
- Conclusion 257-262

CHAPTER 10 THE ROLE OF THE FIJI GOVERNMENT IN
TOURISM PROMOTION

263-278

- A Introduction 263-264
- B The Fiji Tourist Commission
and the Fiji Visitors' Bureau 264-272
- C Problems and Prospects 272-276
- Conclusion 276-278

CHAPTER 11 THE SIGNIFICANCE OF INTERNATIONAL
AIR TRAFFIC ARRIVALS TO THE
DEVELOPMENT OF THE TOURIST INDUSTRY
IN FIJI

279-299

- A Introduction 279-282
- B International Air Traffic Flow
and Tourist Development in Fiji 282-286
- C Civil Aviation Policies 287-289

D	The Effect of International Promotional Air Fares on the Tourist Industry in Fiji	289-290
E	The Role and Problems of Air Pacific	290-296
	Conclusion	297-299

CHAPTER 12	<u>THE EMPLOYMENT CONTENT AND TRAINING NEEDS OF THE PERSONNEL IN THE FIJI TOURIST INDUSTRY</u>	300-312
A	Introduction	300-301
B	Tourism Employment in Fiji	301-310
	Conclusion	310-312

PART IV

CHAPTER 13	<u>COMPARATIVE ANALYSIS OF TOURISM DEVELOPMENT IN NEW ZEALAND AND FIJI</u>	313-332
A	Framework for Comparative Analysis	313-315
B	Tourist Accommodation	316-319
C	Tourism Promotion and Marketing	319-324
D	Air Transportation	325-328
E	Tourism Employment and Personnel Training	328-332
	Conclusion	332

CHAPTER 14	<u>CONCLUSION: THE EVALUATION OF TOURISM POLICY IMPACT: A STRUCTURAL AND FUNCTIONAL APPROACH</u>	333-368
A	Tourism Policy Evaluation Process	333-335
B	Tourist Accommodation Development Policies	336-343
C	Evaluation of Tourism Promotion Policies	343-352
D	Evaluation of Tourist Industry Personnel Training Policies	352-359
E	Evaluation of Tourist Transport	

Policies	359-364
1) International Air Transport Policies	359-363
2) Other Tourist Transport Policies	363-364
F Tourism and National Park Policies in New Zealand	365
Conclusion	366-368

APPENDIX	369-393
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BIBLIOGRAPHY	394-409
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CERTIFICATION

I certify that this is my own original work.
It has not been submitted for any degree at
any other university. The conclusions arrived
at in the thesis represent my own judgement.

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LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
1	A Macro-Model for Functional and Structural Analysis of Government Policies.....	5
2	A Diagram Illustrating the Interplay Between Tourism Policies and Tourism Organisations and Tourism Development Areas Using a Structural-Functional Framework.....	7
3	Graph Showing Percentage Change of Hotels and Hotel Rooms over Previous Years, 1969-1980.....	68
4	Graph Showing Percentage Change of Motels and Motel Units over Previous Years, 1969-1980.....	69
5a	Development of Facilities Area, Home Bay, Lake Waikaremoana, Urewera National Park.....	147
5b	Development of Facilities Area, Home Bay, Lake Waikaremoana, Urewera National Park.....	148
6	An Indicative Diagram for Environmental Land Use Development and Management and Tourism Development.....	167
7	Major South Pacific Tourist Destinations and Air Routes.....	285

LIST OF TABLES

<u>Table</u>	<u>Page</u>
(i) Maximum Hotel Tariffs During the Period of Price Control, 1949-1960, New Zealand.....	38
(ii) Revenue Accounts and Accommodation Returns Average Gross Income from Sales (Pounds) New Zealand, 1956.....	39
(iii) Estimated Expenditure on Food and Accommodation by Overseas Visitors, Year Ended 31 March 1977.....	56
(iv) Total Employment in the Tourist Accommod- ation Sector in New Zealand, October 1977.....	57
(v) Area and Capital Cost Requirement for Hotels in New Zealand, 1978.....	71
(vi) A Selective Regional Indicator of Monthly Hotel Room Occupancy, 1980-1981, New Zealand.....	73
(vii) Major Market Areas in Terms of Visitor Arrivals and Annual Percentage Changes in New Zealand, 1977-1981.....	83
(viii) Number and Percentage Distribution of Visitor Type to New Zealand, Year Ended February 1980 and 1981.....	95
(ix) A Sample of the Market View of the Tourism Facilities in New Zealand.....	88
(x) Promotional Expenditure for New Zealand Travel in the Five Major Market Areas, 1977-1978 (\$NZ).....	90

List of Tables (Cont'd)

<u>Table</u>	<u>Page</u>
(xi) Tourist and Publicity Department Vote Summary (\$NZ000).....	97
(xii) A Sample of Promotion and Advertising Cost in North America.....	101
(xiii) Visitor Arrivals by Mode of Travel, Year Ended 1970-1981.....	111
(xiv) Trans-Tasman Fares, January 1981 and June 1982, Return (\$AUS).....	116
(xv) Air Fares from Sydney-San Francisco, August 1979 and June 1982 (\$AUS).....	117
(xvi) Some Promotional Air Fares in the Trans- Pacific, Trans-Tasman and Trans-Atlantic Routes, June 1981 and June 1982.....	118
(xvii) Financial Results of Some Major Airlines Servicing the Pacific, 1980.....	123
(xviii) Domestic Services Including Taxi, Charter and Scenic Flights - Passengers Carried from 1976-1980 (Excludes Scheduled Passenger Services).....	129
(xix) Rental Vehicles Capital Investment and Revenue for the Year Ended 31 March 1970- 1982.....	130
(xx) Privately and Company Operated Coach Services in New Zealand for the Year Ended 31 March 1970-1982.....	132

List of Tables (Cont'd)

<u>Table</u>	<u>Page</u>
(xxi) Land Acquired Under the Scenic Preservation Act in 1939.....	162
(xxii) Number and Area of National Parks, Reserves and Domains in New Zealand, 1980.....	165
(xxiii) Employment Structure of Queenstown Borough, 1960-1977.....	183
(xxiv) Income Derived from Government Grants, Donations and from Certain Park Activities, 1977-1978, Year Ended 31 March 1978.....	185
(xxv) Visitors to New Zealand National Parks, 1970-1977.....	188
(xxvi) National Parks of New Zealand, Size Area - 1977, Number of Visitors - 1975-1976, and Hectares per Visitor.....	190
(xxvii) Employment Data on Restaurants and Hotels in New Zealand, 1974-1979, Year Ended April.....	195
(xxviii) New Zealand Tourist Accommodation and Catering Sector Employment Level and Percentage Projections, 1978-1982.....	203
(xxix) Employment Levels and Projections, 1978-1988, Travel and Tourist Services.....	207
(xxx) Visitor Arrivals in Fiji, 1965-1969, Excluding Cruise Liner and Through Passengers.....	229

List of Tables (Cont'd)

<u>Table</u>	<u>Page</u>
(xxxi) Visitor Arrivals in Selected Pacific Destinations, 1970-1975.....	220
(xxxii) Gross Domestic Product by Activity at Constant Prices of 1977 (At Factor Cost) (\$F000).....	235
(xxxiii) Fiji Foreign Exchange Earnings from Tourism and Major Export Earnings, 1971-1979 (\$F million).....	237
(xxxiv) Value of Imports of Tourist Goods in Fiji 1971-1979 (\$F000 c.i.f.).....	239
(xxxv) Wage and Salary Earners in the Wholesale and Retail Trades and Restaurants and Hotels - Numbers and Percentage Changes: 1971-72 to 1979-80.....	242
(xxxvi) Fiji Visitors' Bureau Income and Expenditure Account for the Year Ended 31 December 1976 and 1977.....	268
(xxxvii) Visitor Arrivals to Fiji by Mode of Travel, 1973-1980.....	283
(xxxviii) Shareholders and Percentage Distribution of Shares in Air Pacific Limited, 1978.....	291
(xxxix) Air Pacific Visitor Comparative Statistics on Operations.....	293
(xxxx) A Comparative Breakdown of Expense Items 1977 and 1978, Air Pacific Limited.....	295

List of Tables (Cont'd)

<u>Table</u>	<u>Page</u>
(xxxxi) Number of Persons Employed, Trained, Under- going Training and Number Required to be Trained - Fiji Hotel and Catering Industry, 1978.....	305
(xxxxii) Number of Students Enrolled in 1978 - School of Food and Fashion.....	309
(xxxxiii) Percentage Change in Number of Visitor Arrivals in Selected Destinations, 1981.....	323

ABBREVIATIONS

ABC	.....American Broadcasting Corporation
CBS	.....Columbia Broadcasting Service
FNTC	.....Fiji National Training Council
GDP	.....Gross Domestic Product
IATA	.....International Air Transport Association
ICAO	.....International Civil Aviation Organisation
NBC	.....National Broadcasting Corporation
NZ	.....New Zealand
NZCC	.....New Zealand Certificate of Commerce
OECD	.....Organisation for Economic Co-operation and Development
TITC	.....Travel Industry Training Council
UK	.....United Kingdom
UFTAA	.....Universal Federation of Travel Agents Association
VTC	.....Vocational Training Council

ABSTRACT

This thesis is an examination of the proposition that tourism development is to a great extent dependent upon the effectiveness of government tourism policies and government tourism organisations. Put another way, the greater the degree of effectiveness of tourism policies and organisations, the greater the degree of tourist industry development. Tourism policies and organisations are seen here as playing functional roles towards the development of the tourist industry.

There are two basic hypotheses to be tested in the thesis, namely:

- (a) There are causal relations between tourism organisations and policies, and tourist industry development.
- (b) There are evaluable functions that tourism policies and organisations play in the development of the tourist industry.

To test the validity of the above propositions, government tourism policies and organisations in New Zealand and Fiji are researched, analysed and evaluated.

A Method of Analysis

The method of analysis used in the thesis is based on structural functionalism. This method of analysis is a derivative of systems analysis. This approach is suited to the study of the function of tourism policies and organisations because it enables one to identify the activities of the tourist industry as a system with structures and functions. It also enables one to identify and isolate the relevant tourism policies and the "activity areas" for which policies are formulated and to evaluate the role or functions which they play in the development of the sectors or activities of the tourist industry. The model also allows for the identification of interest groups or pressure groups and the effects these have on politicians who make governments that create policies.

The starting point in this method of analysis is to view the tourist industry as an on-going system generated by structures, activities and processes, including tourism policies which perform functions for the maintenance and development of the whole tourist industry system.

The method of analysis also allows for the study and evaluation of factors and interests that influence policies, such as political forces, pressure group forces, economic considerations and other human factors.

B Research Method

To evaluate the role and effectiveness of tourism policies and organisations, their application and effects in the following sections have been examined, both for New Zealand and Fiji:

Tourist Accommodation

Tourist Transportation

Promotion and Marketing

Personnel Training and Recruitment

In the New Zealand study, national park policies and organisations have also been examined as a special area study to highlight the problem between tourism development and public policies that are designed for national park land use.

C Findings

The case studies show that tourism policies and organisations can be isolated and evaluated in terms of the effects they have on the sectors and activities they are designed for. In the research and analysis of the tourism policies concerned with the growth and development of the tourist accommodation sector in New Zealand and Fiji, it was found that growth in the sector had occurred in the period after the government had provided policies to aid

the growth of tourist accommodation. In the New Zealand study, it was found that the 1962 government budget was regarded as a turning point in the history of the development of the tourist industry. The effects of the budget are discussed in Chapter 3. The budget provided a \$4,000,000 loan guarantee scheme for hotel development and relaxed the restrictions on the repatriation of foreign capital. From the scheme, a total of 1,420 beds were provided in the vital tourist centres of Auckland, Rotorua and Wellington.

The New Zealand government loan and guarantee scheme was continued until 1973 when it was abandoned. Between 1972 and 1974, the hotel accommodation sector in New Zealand experienced a decline in both the number of hotels built and the number of hotel rooms. The details of this decline are illustrated in graph 3 of Chapter 3. But when the loan and guarantee scheme was reintroduced by the New Zealand government in 1976, which provided for \$14,775,000 in the form of guarantees and \$13,918,000 in the form of loans, a growth in the number of hotels and hotel rooms followed. These sums helped finance twenty tourist accommodation projects that provided 3,493 beds. The detailed effects of these policies are discussed in Chapter 3 of the New Zealand case study. It would suffice here to mention that not all tourism policies have had such dramatic effects of stimulating the growth of a particular sector of the industry. The analysis on the growth and development of the tourist accommodation sector

in Fiji shows that although at the initial stages when the Hotel Aid Ordinance was passed, it stimulated a growth in hotel investment and growth in the number of rooms and beds. There also have been periods of decline in the rate of growth of hotel rooms and beds while the hotel aid policy was in operation. The decline in the rate of growth of hotel rooms and beds in Fiji was, however, due more to the effects of decline in the rate of growth of visitor arrivals than to the ineffectiveness of the hotel aid policy. The details of the effectiveness of the hotel aid policy in Fiji are discussed in Part III, Chapter 9 of the Fiji case study.

The conclusion is that in both New Zealand and Fiji tourism policies and organisations are designed to play functional roles in the growth and development of the tourist industry in the respective countries. These policies can be evaluated by examining the direct and indirect effects they have on the respective sectors and activities of the industry they are designed for. These effects are evaluated as the outputs of policies or the functional effects of tourism policies and organisations.

The case studies show that tourism policies and organisations are basically instrumental to the development of the tourist industry. It is the extent of instrumentality or functionality that this thesis seeks to establish through the evaluation of some tourism policies and organisations in New Zealand and in Fiji.

PART 1CHAPTER 1INTRODUCTIONTOURISM POLICY RESEARCH, DESIGN AND STRATEGYA Introduction

In my view, tourism policy is a neglected area of research in many tourism studies and in many policy studies. There is also a general absence of attempts to formulate hypothesis in the field of tourism policy research in order to contribute to theory on tourism policy impact studies. The popular areas of research in the field of tourism have mainly tended to focus on the economics of tourism, the sociology of tourism, the anthropology of tourism, and the geography of tourism. To my knowledge, there is no research work that sets out with a hypothesis on tourism policies and attempts to test such a hypothesis. This thesis starts with a hypothesis on the work of tourism policies and sets out to examine the role of tourism policies in two different environments, namely New Zealand and Fiji.

B Research Hypothesis

The objective of this thesis is to test the validity of the proposition that tourism development is to a large extent dependent upon the effectiveness of tourism policies and organisations. The two basic hypotheses to be tested are that:

- (a) there are causal relationships between tourism policies and tourism development in which tourism policies and organisations are seen as major determinants of tourism development;
- (b) tourism policies and organisations have discernible impacts which can be evaluated in terms of their effectiveness or ineffectiveness.

There are several problems of methodology associated with any research that sets out to test the validity of a hypothesis. One problem is the selection of a suitable method of research and analysis permitting the ready collection and analysis of relevant data. In the following sections I have set out the method of analysis and research strategy used in this thesis.

C Method of Analysis

The philosophical bases of method in policy research are generally oriented towards the generation and testing of hypothesis to confirm, refine and enlarge theory¹. A central implication in the above objectives is that a coherent and self-conscious methodology of studying policies must be developed.

It is, however, important to distinguish a methodology that has as its philosophical base the testing and development of theories and a methodology that has as its philosophic base a guide to action². This is not to say that methods developed as aids in theory construction cannot be used as components of a methodology that constitute guides to action.

It is this dual purpose of contribution to theory and basis for guide to action that this thesis seeks to contribute towards. In other words, the analysis and evaluation of the data is not only intended to test the validity of the hypothesis, but also to indicate areas where policies and actions are required to aid the growth and development of the tourist industry.

¹ James S Coleman, Policy Research in Social Science, General Learning Press, Morristown, New Jersey, 1972, pp. 1-2.

² Ibid, pp. 1-2.

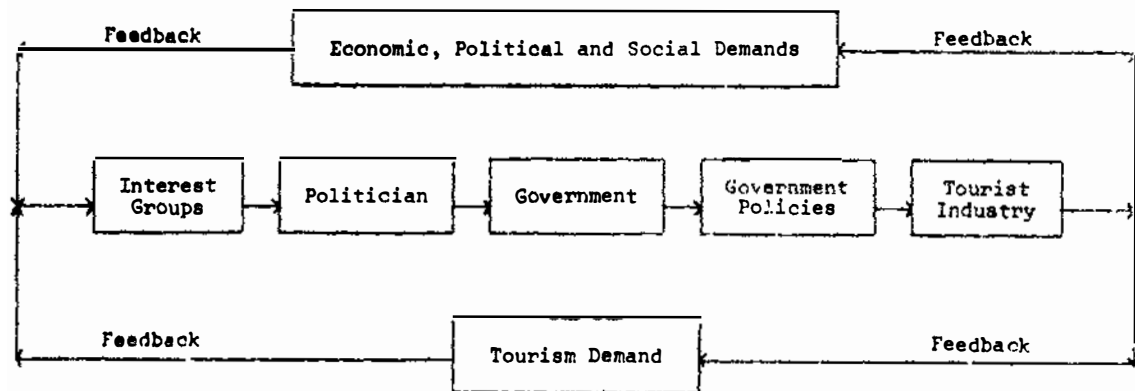
In order to achieve these objectives, I have used structural and functional methods of analysis to reach conclusions on what is the state of affairs of the tourism development in the case studies and what functional or dysfunctional roles tourism policies and organisations play in tourism development processes.

Structural-functional analysis is a method through which organisational structures and policy processes, that is, policies in operation, can be conceptualized as independent variables where work and functions can be isolated, analysed and evaluated to establish whether they contribute towards tourism development, and the extent of this contribution. Because functions cause effects of some sort, any analysis of functions should reveal the extent and types of effects these functions have. From this analytical framework the effects of tourism policies and organisations can be evaluated in terms of the extent of impact they have.

The hypothesis proposed in the thesis suggests that tourism policies and organisations determine to a large extent the degree of tourism development. Here, tourism policies and organisations are seen as causal agents rather than being determinates. Put another way, tourism policies and organisations are analysed by looking at what they cause, if anything, rather than seeing them as passive statements or passive organisations. The following diagram (Figure 1) illustrates the application of the structural-functional model of analysis for the study of the inter-policy between

Figure 1

A Macro-Model for Functional and Structural Analysis of Government Policies



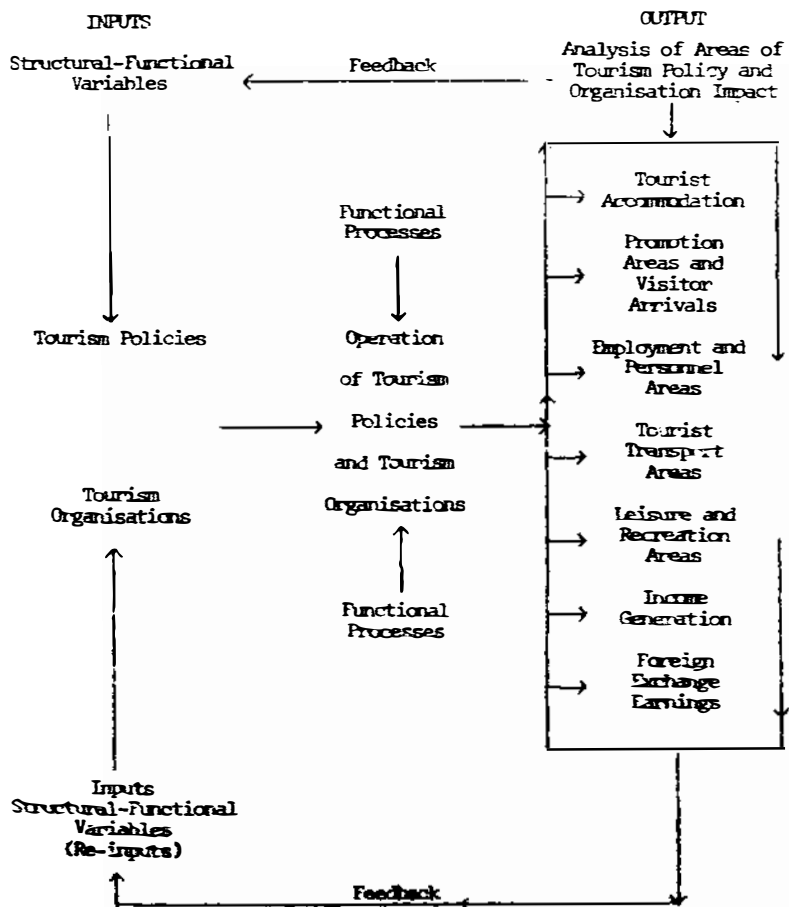
interest group activities, political activities, the government and government policies, and their direction towards the tourist industry. The model assumes that the tourist industry makes demands on its economic, social and political environment and resources for its development. In other words, it competes with other industries for scarce resources. Because of these demand on scarce resources, government tourism policies are consequently influenced by political, social and economic factors.

In order to evaluate the effects of policies the model of analysis must be changed to a micro-model through which tourism policies and organisations can be analysed as structural and functional variables.

The following diagram (Figure 2) illustrates the interplay between tourism policies and organisations and tourism development areas using a structural-functional framework. In the diagram, tourism policies and organisations are inputs in the developmental processes. Their operations are seen as functional processes, that is, the policies and organisations are action oriented to attain certain objectives. These objectives are reflected in the outputs. Some of these objectives may or not be achieved. When they are achieved, the extent of tourism policy effectiveness and tourism organisation effectiveness is evaluated with regard to specific output and output trends in the mentioned output area studies.

Figure 2

A Diagram Illustrating the Interplay Between
Tourism Policies and Tourism Organisations and Tourism
Development Areas Using a Structural-Functional Framework



D Method of Research

There are several techniques of research that were used in the process of my field work. These include unstructured observational methods, interviews, and content analysis of official documents and statistical records.

1) Observational Method

In order to familiarise myself with the extent of tourism infrastructure development in my case studies, I carried out site tours in New Zealand and Fiji and visited the major tourist establishments and attractions in these two countries. This method of observation was found useful because it helped me to assess the type and level of tourism infrastructure development and the type of tourist product being observed. By staying in tourist hotels and by visiting tourist centres I became a participant observer in the sense that I obtained a tourist visa for my visit to Fiji and was treated as a tourist. This gave me the added advantage of observing the tourist industry in operation, while at the same time maintaining my research interest³.

I also used observational methods to observe the extent of tourism promotion of New Zealand and Fiji in the mass media. Since this source is the major agent of promotion

³ See Appendix T for list of officials interviewed in Fiji.

mass-communication, such as newspaper advertisements, television commercials, brochures, posters, etc., were found to be a valuable source of information on the type and level of promotional activities carried out by the destinations under study.

The observational method, however, was not found to be useful for collecting information on tourism policies. One limitation was that policies are statements which cannot be observed because they are not physically visible by nature. For this reason, observational methods have not been used to collect information on tourism policies, but purely for familiarization on the extent of tourism development by looking at tourism infrastructural developments.

2) Interviews

Another research strategy used in the process of collecting data was the interview method. Regular visits were made to policy-makers and representatives of tourist industry interest groups⁴.

Those approached were informally interviewed and asked questions on their opinions as to the type of impact

⁴ See Appendix U for list of places visited in Fiji.

certain tourism policies have. Responses from such interviews were generally inadequate for the purposes of this thesis in that they were generally opinions clouded by the particular interest of the respondents. For example, while public officials tended to support the view that existing tourism policies were aiding the industry, representatives from the private sector tended to suggest the view that some public policies have tended to slow the growth and development of the industry. Because of these conflicting interests and responses in interviews I relied very little on the information obtained in this way, although some interviews gave me insight into the opinions of those who formulate policies as well as those who are affected by them.

3) Official Documents and Statistical Records

The major sources of information for this thesis have been official documents and statistical records. The strategy adopted in this research method was to examine all available official documents containing past and present policies related to the development of the tourist industry. The content of these policies were then analysed to discover what function they were designed for. For example, in the New Zealand and Fiji case studies I examined past and present policies on tourist accommodation development. These policies included aid and incentive policies, investment policies and promotion policies. They also included regulation and control

■ policies on activities within the tourist industry.

In order to appreciate the reasons behind the formulation of tourism policies I also examined parliamentary debate records to learn the various opinions on the formulation of such policies.

For each policy area I identified the specific tourist industry activity. All policies related to promotion were analysed strictly in terms of the structures they created and the functions they perform. Similarly, all policies related to personnel training, tourist accommodation, ■ and tourist transportation are analysed in terms of the structures they established and the functions these policies and structures play.

The next strategy in the collection of data was to examine statistical records and annual reports of relevant organisations with interests in the growth and development of the tourist industry. The types of statistical records examined included statistics on tourist visitor arrivals, tourist expenditure patterns, regional distribution of tourists, tourist perception of facilities in New Zealand, tourist accommodation investment cost, government expenditure on tourism promotion and development, employment, personnel, foreign exchange earnings, and tourist receipts. Other relevant statistics include growth trends of various sectors of the industry. These records are used to test whether there is a causal relationship between tourism

policies and organisations and these outputs and if so, what type of causal relationship and to what extent tourism policy and organisation inputs affect each output.

There are, however, several pitfalls in the use of official documents and recorded statistics. By definition, the purpose for which available official documents and recorded statistics are maintained is different from the purpose for which the researcher wishes to use them. In order to use this type of data research problems and ideas need to be designed in a way that they have a capacity to make the use of such data source possible.

Another pitfall in using these sources is that the definition of categories used in available recorded statistical material frequently does not coincide with those used in research. An example of this problem is found in the official definition of a tourist. In New Zealand the visitor category "tourist" includes only holiday and vacation visitors and visitors staying with friends. This definition excludes visitors on business, official duties, and those on working holidays, educational purposes, theatrical, sporting and entertainment pursuits. In Fiji the visitor category "tourist" includes all visitors including cruise ship passengers who spend time in Fiji and contribute to the sum total of tourist receipts. This definition of a tourist excludes transit passengers but includes visitors on business purposes.

In view of such differences, the use of available statistical records may be more misleading than enlightening unless the precise definition on which the statistics are based is known. In this thesis, the definition of categories like "tourist" is used according to the official definition in each case study.

Despite these pitfalls this study shows that a sensitive use of official documents and statistical records can provide adequate information to test the validity of the hypothesis that tourism policies and organisations, to a large extent, determine the scope of tourism development.

E Definitions of Concepts

The multi-disciplinary application of the concepts used in this thesis and the different meaning these concepts may have in different academic disciplines, makes it necessary for the key concepts used in this thesis to be defined as clearly as possible so that their usage is meaningful to the non social-science reader.

1) Structure

Structure can be defined as a certain whole; or in plural as elements of systems or parts that make up the whole. Structures have effects because of the particular way they are organised. From this point of view, structures are

functional.

2) Function

The term function simply means effect. Functions (as such) are those observed consequences of the roles played by a system or its parts. The effects of policies are regarded as functions in that they have observable consequences. For example, a tourism policy for tourist accommodation is assumed to have observable consequences on a particular section of the tourist industry. Functions are therefore the consequence of actions.

3) System

The concept of system suggests relatedness; that is, if several functioning units affect each other, it can be said that they form a system which itself might show its own characteristics. The concept of system is intended to describe the general activities that are characteristic of a tourist industry, and to show the extent of these activities.

4) Policy

A policy can be defined as a plan of action set in operation to guide and determine the activities of an organisation or an industry in order to attain stated goals or objectives. A policy is therefore a guide to thinking in decision-

making. As such a policy gives direction to plans and to planners.

5) Development

Development can be defined as a process of change toward an objective. It involves the utilisation of human, physical and financial resources in order to achieve qualitative change.

6) Tourism

The term tourism has been used in the past to mean different things. The variety of usage of the term tourism is due to the multidisciplinary appeal of the phenomenon of tourism. Herman V Schullard (1910)⁵ defined tourism as:

"The sum total of operations, mainly of an economic nature, which directly relate to the entry, stay and movement of foreigners inside and outside a country, city or region."

This definition does not include domestic tourism, nor does it include sociological, psychological, or cultural aspects of travel. It is essentially an economic definition of international tourism.

⁵ G A Schull, Tourism Promotion, Tourism International Press, London, 1977, p.11.

Hunziker and Krapf (1942)⁶ defined tourism as:

"The sum total of relationships and phenomena arising from the travel and stay of strangers provided the stay does not imply the establishment of permanent residence and is not connected with remunerated activity".

Abdel Wahab Salah⁷ states that "tourism can be looked at in the abstract, namely as a phenomenon involving the movement of people within their own borders (domestic tourism) or across the national borders (international tourism)". Elsewhere Wahab Salah states that:⁸

"Tourism is a purposeful human activity that serves as a link between people, either within one same country, or beyond the geographical limits of states. It involves the temporary displacement of people to another region, country or continent for the satisfaction of varied needs other than exercising a remunerated function. For the country concerned tourism is an industry whose "products" are consumed on the spot forming invisible exports.

⁶ Ibid, p.11.

⁷ Abdel Wahab Salah, Tourism Management, Tourism International Press, London, 1975, p.8.

⁸ G A Schmoll, op.cit., 1977, p.11.

The benefits accruing therefore can be witnessed in the economic, cultural and social life of the community."

Wahab's definition of tourism is an attempt to provide a description of the character of the whole phenomenon of tourism. The difficulty of providing an all-embracing definition is explicit in the above quotations. Wahab used the term to denote travel motivated by various needs, and also as a description of an industry. Wahab's definition makes a useful contribution to the concept of tourism by including motivation as a factor in travel.

In combination these definitions highlight the following characteristics of tourism:

- (i) It is a human activity.
- (ii) It involves travel from one place to another.
- (iii) It involves a temporary stay of the visitor.
- (iv) It involves motivation.
- (v) It is an economic activity.
- (vi) It is a social-cultural activity.
- (vii) It involves leisure and recreation as travel reasons.

From these seven characteristics, one can define tourism as a socio-economic and cultural activity including leisure and recreation that involves the travel of people from one region to another with a view to staying

temporarily in order to satisfy various travel needs. This is the definition of the term tourism used in the thesis.

7) Tourism Policy

A tourism policy can be defined as a plan of action set in operation to guide and determine the activities of tourist industry organisations in order to achieve the stated goals or objectives of the tourist industry. In this sense, tourism policies are functional variables with observable and identifiable consequences in terms of their effectiveness or ineffectiveness.

8) Tourism Development

Tourism development can be defined as a process of change involving the utilisation of human, physical and financial resources and processes towards the maximisation of benefits, including profits and towards the achievement of qualitative change in tourist industry activities.

9) Tourist

The term tourist is an elusive concept in that as a generic term it is used to describe people who travel from one geographical region to another for several different purposes. In defining the term tourist, it is important to make a distinction between international tourists and domestic tourists.

Up to 1963 the definition of an "international" tourist was based on the definition of a "foreign" tourist, prescribed by the League of Nations Committee of Statistical experts in 1937⁹. A "foreign tourist" was then defined as "any person visiting a country other than that in which he usually resides, for a period of at least 24 hours". In this definition the following were considered as tourists:

- (i) Persons travelling for pleasure, for family reasons, for health; persons travelling to meetings or in a representative capacity of any kind (scientific, administrative, diplomatic, athletic); persons travelling for business reasons.
- (ii) Persons arriving in a course of a sea cruise even when they stay less than 24 hours.

In this definition of a tourist the following were not regarded as tourists:

- (i) Persons arriving with or without a contract of work to take up an occupation

⁹ Tourism Policy and International Tourism in OECD Member Countries. Evolution of Tourism in OECD Member Countries in 1977 and the Early Months of 1978, report adopted by the OECD Tourism Committee, The OECD, Paris, 1978, p.1.

or engage in any business activity in the country; a person coming to establish a residence in the country; students and young persons in boarding establishments or schools.

- (ii) Residents in a frontier zone and persons domiciled in one country and working in an adjoining country.
- (iii) Travellers passing through a country without stopping over, if the journey takes more than 24 hours.

Although the League of Nations' definition of a foreign tourist was adequate for travel statistic purposes in the 1930's, it is scarcely so today when the nature and volume of travel has changed so much. For example, students staying in boarding houses and student travel are part of the international tourist trade, although students coming for educational purposes are not considered to be tourists.

In 1967 an expert (statistical) group on international travel statistics convened by the United Nations Statistical Commission recommended that countries use the definition of "visitor" proposed by the 1963 Rome Conference¹⁰.

¹⁰ Ibid, 1960 Report, pp.5-6.

■

Visitor, for statistical purposes, was defined at the conference as any person visiting a country other than that in which he has his usual place of residence for any reasons other than following of an occupation remunerated from within the country visited. This definition covers tourist; that is, those visiting for leisure, business, family reasons or conferences and those staying for less than 24 hours such as those on cruise ship visits. Transit passengers are excluded from the above definition of visitors.

Although many countries recognise the value of these definitions, it is not always possible for them to count the tourists defined in this way in practice. What they usually do is to count the number of tourist "arrivals", "departures" or "nights spent". By counting the number of tourist arrivals and departures, which are recorded daily, the frequency of visitor flow and visitor types is better determined than by counting how many tourists come to a country each year.

One problem associated with the above definitions of the tourists as temporary visitors is concerned with using these definitions to track the flow of tourist dollars or foreign exchange earnings. For example, many countries trace the tourist dollar mainly from the earnings of the tourist services as recorded by the national banks and many exclude earnings of the airline carriers in this category of foreign exchange earnings. The exclusion of

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the earnings of the airline operations is purely for convenience.

In all of the definitions given, transit passengers are excluded from the category of tourists or temporary visitors. There are several technical reasons for their exclusion. Legally, the transit passenger is not visiting the country, and as such, does not fill out a disembarkation card. The transit passenger does not normally leave the airport area, nor does he usually make a demand on tourist accommodation in the port of call.

Theoretically, this exclusion is valid but some transit passengers in practice do make demands on tourist accommodation in hotels near airports.

There are those transit passengers who stay less than 24 hours but at times spend ten to fifteen hours overnight in certain ports due to different connecting flight schedules and are provided with accommodation. Some of these transit passengers carry out some leisure activities such as shopping and night club entertainment and during these activities spend some of their own money. But this category of visitor is not counted as a tourist although their tourist dollars appear in the total foreign exchange earnings derived from tourist visitors. Even some of the transit passengers who spend one hour in certain airports tend to patronise the bar and duty free shops within the airports.

Some of the imprecision and conflict within the range of the above definitions is reflected in the two case studies considered here. In New Zealand, up until 1 April 1970, the following were the types of visitor categories¹¹:

- (i) Tourist (including holiday/vacation visitors, visitors staying with friends or relatives).
- (ii) Business.
- (iii) Other officials.
- (iv) Working holidays.
- (v) Educational purposes.
- (vi) Theatrical, sporting, entertainment.
- (vii) Transit passengers.

In 1970 new visitor categories were defined. The following are the current visitor categories in New Zealand¹²:

- (i) Holidays and vacations.
- (ii) Staying with relatives or friends.
- (iii) Business, private or official.
- (iv) Work or working holiday.
- (v) Formal education.
- (vi) Performing in arts, sports, entertainment.
- (vii) Stopover.

¹¹ New Zealand Visitor Statistics 1976-77, Tourist and Publicity Department, Development & Research Division, Wellington, NZ, 1977, p.2.

¹² Ibid.

- (viii) Through passengers (these include those who stay at the airport and those who stay the night on board the ship and do not create demand on accommodation).

The official definition of a tourist in New Zealand includes only those short term temporary visitors on holidays or vacations, and those staying with friends or relatives. There are hardly any valid reasons to exclude some of the other visitor categories from the categories of tourists. Short term visitors, such as those under the categories of business, performing in the arts, and sports, create demands on tourist accommodation and do contribute significantly in the overall tourist foreign exchange earnings. In fact, some of these visitors not classified as tourists do take part in some leisure activities and enjoy those tourist attractions and amenities offered by the destination country. A businessman or official coming to New Zealand on short term is likely to go sight-seeing, fishing or ski-ing if the weather permits. Thus what is recorded officially as total tourist arrivals in New Zealand is not a true reflection of the total number of visitors who could be classified as tourists. The total number of tourist arrivals to New Zealand in 1978 was 309,432 (excluding all other visitor categories).

A total of 50,296 visitors also came to New Zealand in 1978 for business, official purposes, or for arts and entertainment purposes. If this figure is added to the official

tourist visitor statistics, the total number of tourists in New Zealand for the 1978 year would be 359,728 tourist visitors¹³.

In Fiji the terminology used in all the publications on tourism released by the Fiji Bureau of Statistics differs from the one laid down in 1963 by the United Nations, which the World Tourism Organisation and the Pacific Area Travel Associated subscribed to. The definitions of visitor categories in Fiji are given in the following:¹⁴

(i) *"A visitor is a person, other than a Fijian citizen, permit holder or exempted person, who usually stays for at least 24 hours in Fiji, who stays overnight in accommodation within Fiji."*

(ii) Cruise ship passengers are defined as those who arrive and depart on the same ship and use the vessel's accommodation during the duration of their stay in Fiji. This category also includes through passengers by sea on scheduled liner services.

¹³ Statistics of External Migration 1977-78, Department of Statistics, Wellington, New Zealand, 1978, p.11.

¹⁴ A Statistical Report on Tourism in Fiji, 1977, incorporating Statistics on Visitors and Other Arrivals, Statistics on the Hotel Industry in Fiji, Bureau of Statistics, Suva, December, 1978.

- (iii) Tourists include all the above categories because they spend time in Fiji and contribute to the sum total of tourist receipts.

By implication, the definition of a tourist in Fiji includes businessmen, officials, sportsmen, performing artists and entertainers. Similarly, the definition excludes transit passengers.

In both New Zealand and Fiji, as in other parts of the world, there has yet to emerge a universally accepted definition of a "tourist". However, for statistical or analytical purposes, a "tourist" may be defined as individuals or groups of individuals who actually travel to a particular destination or destinations for short term purposes and who buy or spend money on tourism services and goods while in the destination and who are not remunerated for this activity. This definition includes all visitor categories except for those who come for long term, permanent or semi-permanent purposes.

10) Tourist Industry

The tourist industry is conceptualised in this thesis as a composite system of activities made of several identifiable units or sub-systems. This concept of the tourist industry implies that the the tourist industry is structured with a

determinable boundary. The boundary of the tourist industry however, is more difficult to determine than, say, the boundary of the manufacturing industry. Tourist industry, organisations, and activities are nevertheless readily identifiable; for example, national tourist organisations, hotels, motels, travel agents, are all part of the tourist industry.

The industry is composed of a variety of services catering mainly, but not exclusively, for the tourist markets. These services include accommodation, transportation, recreation, sports and leisure, entertainment, and retailing. Other services provided include government administrative back-up and control systems.

One way to identify the tourist industry is to locate the tourist activity areas in the economy and to examine these organisations. In the chapters that follow, five tourist industry activity areas have been isolated and analysed. Tourism policies and organisations that aid and promote the development of these areas are analysed and evaluated to determine the extent of their effectiveness.

- (a) Tourist Accommodation;
- (b) Tourist Transportation;
- (c) Tourist Promotion and Marketing;
- (d) Tourist Recreation and Leisure;
- (e) Tourist Personnel Recruitment and Training.

These five tourist industry activity areas are not the only activities within the industry that are affected by tourism policies. I have selected the five mentioned activity areas because they are more readily identifiable and because they form the basic structure of the tourist industry.

PART II

CHAPTER 2

A HISTORICAL BACKGROUND TO GOVERNMENT INVOLVEMENT IN TOURISM DEVELOPMENT IN NEW ZEALAND

A Introduction

This chapter is intended to provide a broad historical background on the evolution of government involvement in the development of the tourist industry in New Zealand. In addition to showing the causes and extent of government involvement, this chapter also examines changes in government attitude over time, and the causes for such changes. The chapter is divided into two sections. The first section covers the period from the late nineteenth century to the end of the Second World War and the second section covers the period from the Second World War to the 1980's. Where appropriate, the role of the private sector in influencing government policies is also discussed.

B The Beginnings and Early Stages of Government in Tourist Industry Development - Pre World War II

The involvement of the New Zealand government in tourism development began in the late nineteenth century. In 1876 the government nationalized the provincial railways and with

the takeover it introduced tourist excursion fares¹⁵. Although the involvement of government in the initial development of the tourist industry was mainly intended to encourage domestic tourism, the government was also aware of the potential to attract overseas tourists to New Zealand¹⁶. By the end of the nineteenth century, the natural attractions of New Zealand were already being considered for tourism purposes. The establishment of the Tongariro National Park in 1894 saw the first step taken to reserve scenic areas for leisure purposes¹⁷. In 1901, the Department of Tourism and Health Resorts, one of the first government tourist departments in the world was established¹⁸. In the following year, five government tourist bureaux were established in Auckland, Wellington, Christchurch, Dunedin and Invercargill¹⁹. This was the first time that some form of organisation had been established to promote the development of the tourist industry in New Zealand. In 1911 overseas travel promotion bureaux were opened in Sydney and Melbourne²⁰.

¹⁵ Peter Lloyd, The Economic Development of the Tourist Industry in New Zealand, Research Paper No. 6 of the New Zealand Institute of Economic Research, Wellington, 1964, p. 39.

¹⁶ Department of Tourist and Health Resorts (First Annual Report), Appendix to the Journal of the House of Representatives of New Zealand, Vol. III, B-2, 1902, Government Printer, Wellington, 1902.

¹⁷ Peter Lloyd, *op.cit.*, 1964, p. 39.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ *Ibid.*

■ The involvement of the New Zealand government in tourist industry development, however, began at a time when the majority of voters were opposed to the widespread sale of liquor. The Prohibition Movement led by the New Zealand Alliance was a strong lobby. From the latter part of the nineteenth century up to the beginning of the Second World War, the manufacture, import, and sale of liquor were major political issues in New Zealand. As a result of the prohibition wave a *Licensing Act*²¹ was passed in 1881 to restrict the issue of new hotel licences. By this act certain areas were declared non-licence districts. Native lands on which no publican licence had been hitherto granted could by proclamation by the governor be declared a non-licence area. The effect of this act was that between 1881-83 no new hotel licences were issued. In 1893 the *Licensing Act* was amended to the *Alcoholic Liquor Sale Act*²². This act provided that no hotel licences might be renewed until the electors of that district determined whether the existing number of licensed hotels in that district should be continued or reduced or whether the district should be non-licensed. ■

In the King Country, a special agreement between the King Country Maori chiefs and the colonial government in 1884 excluded the King Country from the Licensing Act. In the

²¹ *The Licensing Act No., 21 of 1881, New Zealand Statutes, 1881.*

²² *The Alcoholic Liquor Sale Act No., 33 of 1893, New Zealand Statutes, 1893.*

King Country electors had no choice to vote for licensed or non-licensed. The special agreement excluded alcohol from the King Country from the 1880's up to the end of the Second World War. When this agreement was made there were practically no European settlements within that territory²³, but this region included the tourist resorts of the Chateau in the Tongariro National Park and the Waitomo Caves²⁴.

The restrictions and control on licensed hotels and especially on the sale and spread of liquor continued despite the government's commitment to develop the tourist industry in New Zealand. This apparent contradiction can, however, be explained by the fact that during this early period tourism was not a major industry.

Hoteliers were more interested in selling liquor than providing accommodation. A non-licensed hotel in those days was not an attractive proposition. The sale of liquor, however, was associated with abuse such as poor sanitary conditions in some breweries. After-hours trading by licensed hotels was also a common mischief. The sale of liquor in non-licensed districts was also a common occurrence²⁵.

²³ Report of the Royal Commissioners on Licensing, New Zealand House of Representatives, 1946, p.218.

²⁴ Ibid, pp.99-101.

²⁵ Ibid, p.90. (In this report, mischiefs relating to the liquor trade are dealt with in 44 separate chapters).

The social concern over alcohol abuse and the strong prohibitionist movement in the late nineteenth century and early twentieth century made the government step in and provide restrictive regulations for licensed hotels for social and political reasons. In fact, until the 1930's, the prohibition vote remained very strong. Until 1911, over 50 percent of voters supported prohibition²⁶.

This anti-liquor climate and the regulations that followed were substantial disincentives to potential hotel developers. Since hotels required liquor licences to operate, restrictions that existed on the liquor trade limited the possibilities of more hotels being built. The fact that hotel developers relied on the goodwill of electors to determine whether a locality would have a licensed hotel or not meant that hotel investors had a difficult electoral problem to get over in those days of prohibition.

Licensed hotels were not allowed in many districts in New Zealand which had voted for non-licensing. In areas where licensed hotels were already established there was the risk that the area may be declared a no-licence area by proclamation, or may vote to become a non-licensed area.

The consequence of restrictive regulations on the liquor trade was a shortage of suitable tourist accommodation in some main tourist areas like Rotorua and Auckland, as well

²⁶ Ibid, p.206.

as many parts of the South Island where prohibition was strongest.

C The Post World War II Period:

Changes in Government Attitude - 1945 Onward

At the end of the Second World War a Royal Commission²⁷ was set up in 1945 to inquire into and report on the law relating to the liquor trade. The terms of reference of the Commission empowered it to inquire and report on laws relating to the manufacture, importation, sale and supply, whether by wholesale or retail, of intoxicating liquor. It was also empowered to inquire and report upon social and economic aspects of the liquor trade and to make proposals that may be used to amend the law in the public interest.

In the immediate post World War II period there was a strong lobby from the private sector that was advocating for effective government involvement in the development of the tourist industry. In 1946, the year the Royal Commission on Licensing submitted its report, the Auckland Junior Chamber of Commerce²⁸ had also submitted some recommendations to the government for action. Their recommendations included the establishment of a separate

²⁷ Royal Commission Report, op.cit., 1946.

²⁸ New Zealand Commerce, Journal of the New Zealand Chamber of Commerce, Vol. January 1946, pp.13-14.

Tourist and Publicity Department divorced from the Department of Industry and Commerce. This department was to be headed by a director of tourist traffic who would devote all his time to tourist industry development.

Other recommendations of the Auckland Junior Chamber of Commerce included joint public and private enterprise publicity and promotion ventures.

The 1946 Royal Commission's report recommended more government involvement with tourism development. The Commission also recommended changes in the licensing laws in order to encourage growth in the supply of tourist accommodation. It recommended the improvement of hotel accommodation to meet overseas standards. In its report on the tourist industry, the Commission emphasised the growing economic significance of tourism. Total visitor arrivals had increased from 2,833 in 1945 to 5,260 in 1946²⁹. Travel receipts had also increased from \$NZ374,000 to \$NZ1,229,000 from 1939 to 1950³⁰.

The Commission had found that there were shortages of suitable hotels for overseas visitors in most of the New Zealand resorts, in particular Auckland and Rotorua³¹. It

²⁹ New Zealand Visitor Statistics, op.cit., 1978-79, p.4.

³⁰ Peter Lloyd, op.cit., 1984, p 61.

³¹ Royal Commission Report, op.cit., 1946, p. 247.

also found that some tourists resorts were located in no-licence districts such as the Waitomo and the Chateau in King Country³². In order to remedy these shortages, the Commission recommended that in resorts where private enterprise was unable or had not provided accommodation of the standard required, the state should provide it³³.

By 1946, when the Commission prepared its report, only 25 percent of voters supported prohibition compared to 50 percent of voters in 1911. The findings of the Commission suggested that trends in the immediate post war period favoured the relaxation of the licensing law. Accommodation, like all other sectors of the tourist industry, was affected by the wider socio-political climate. Historically, tourist and traveller accommodation has been closely linked with hotels whose other main function is to supply liquor. In the immediate post war period, tourism as such was not a very important economic activity. The hotel trade was more interested in selling liquor than providing tourist accommodation.

As a consequence of the recommendation of the 1946 Royal Commission on Licensing, the *Licensing Amendment Act 1948*.³⁴

³² *Ibid*, p 248.

³³ *Ibid*, p 249.

³⁴ *Licensing Amendment Act No. 74 of 1948, New Zealand Statutes, 1948, Vol., II.*

and the *Licensing Trust Act 1949*³⁵ were passed with a view to encourage the growth of tourist accommodation in New Zealand.

The purpose of the first act was to establish licensing polls whereby electors of a district could determine the question whether licences should be restored in that district and if so, whether provisions should be made for all licensed hotels in that district to be conducted by a local trust. This act established a Licensing Control Commission which was responsible for the regulations and control of the supply of privately owned licensed premises.

The second act provided that the electors of a non-licensed district could determine the formation of licensing trusts to run hotels and sell liquor. The creation of trust hotels was a form of state intervention to provide more accommodation with state aid. The act was strongly opposed by some private sector organisations. For example, the New Zealand Chamber of Commerce opposed the act on the grounds that the private sector could provide licensed hotels in areas where trust hotels were intended and that trust hotels, whose establishment would be financed by government, would pose a competitive threat to private enterprise hotels³⁶. Some interpreted the act as an example of the then Labour

³⁵ *Licensing Trust Act No. 43 of 1949*, New Zealand Statutes, 1949.

³⁶ Walter S Otto, 'Outlook for Trust Control', New Zealand Commerce, July 1950, p.26.

Government's socialist policies'³⁷.

The essence of these two acts was to give local electors the power to determine by ballot whether they wanted licensed premises in their district. It was hoped that the new policy of issuing more licences would encourage hoteliers to provide more hotel accommodation.

Following the recommendation of the 1946 Royal Commission the 1948 licensing laws provided that hotel tariff be based on the grade of a hotel for which it was qualified.

The following table (i)³⁸ shows the maximum tariff allowed during the period of control.

This type of tariff system was also designed to serve as an incentive for the development of the hotel accommodation sector. It was assumed by the Licensing Control Commission in the early 1950's that hotels which wanted higher tariffs would have to provide greater numbers of guest rooms, which in turn would increase the proportion of the total revenue derived from the accommodation sector.

As pointed out earlier, liquor sales in licensed hotels were more profitable in the 1940's and 1950's than

³⁷ Ibid, p.26.

³⁸ Peter Lloyd, *op.cit.*, 1964, p.27.

Table (i)

Maximum Hotel Tariffs During
the Period of Price Control: 1949-60

Grade of Hotel	May 1949	Aug 1950	May 1952	Sep 1953	Jan 1954	Jun 1960
Maximum Grade	33/6	35/6	39/6	40/6	43/6	-
5 Star Plus	31/6	33/6	37/6	38/6	41/6	-
5 Star	30/-	32/-	36/-	37/-	40/-	45/-
4 Star Plus	28/-	29/6	33/-	34/-	36/6	41/6
4 Star	26/6	28/8	31/6	32/6	35/6	40/-
3 Star Plus	25/-	26/6	29/6	30/-	32/6	38/-
3 Star	23/-	24/6	27/6	28/-	30/-	34/6
2 Star	20/-	21/-	23/6	24/-	26/-	30/-
1 Star	18/-	19/-	21/6	22/-	23/6	27/-
Ungraded	16/-	17/-	19/-	19/6	21/-	24/-

proceeds from the accommodation sector. As a result, the development of the accommodation sector tended to lag behind. In order to encourage the development of the sector the Licensing Control Commission embarked upon a policy of issuing more licenses to those hotel establishments which would provide minimum standards of accommodation.

The conditions attached to the issue of licences required the proprietor to construct his hotel with bricks and to improve the standard of accommodation and other related facilities. These conditions meant more capital investment

in the accommodation sector which then proved less profitable than the bar sector. These policies were not designed to enhance growth but to standardise tourist accommodation.

The following table (ii)³⁹ illustrates the imbalance that existed between the bar and accommodation sectors.

Table (ii)

Revenue Accounts and Accommodation Returns

Average Gross Income From Sales (Pounds)

New Zealand 1956

Grading	Average no of Guest Beds	% of Beds Occupied Nightly	Liquor	Accommodation	Average Proprietor's Equity	% of Net Profits Before Tax Proprietor Equity
Ungraded			£	£	£	
1 Star	11	27.6	27,264	926	12,668	31.67
2 Star	18	50.0	34,015	3,614	18,689	24.07
3 Star	32	61.2	34,620	10,605	40,957	10.29
4 Star	65	63.9	56,920	26,619	88,763	6.52
5 Star & Above	92	67.5	60,955	55,776	127,778	8.23

³⁹ Ibid, p. 22.

The combined policy of issuing more licences and a tariff system based on a hotel grade system did not, as incentives, produce substantial results in terms of accommodation expansion. In 1955 the Tourist and Publicity Department reported that 1,000 additional beds were required to meet shortages in the recognised tourist resort areas existing at that time⁴⁰.

Another important factor that should be considered in order to understand the early problems of tourist accommodation is the effect of the building construction regulations⁴¹. These regulations had their origin from the conditions of the Second World War when they were passed to conserve materials for military operations⁴². The regulations, amended in 1948, required all users of concrete material to gain prior approval of the Building Controller. The delays caused by such rigid control were disincentives to would-be investors in the hotel accommodation sector. Accommodation structural plans had to be submitted in detail and approval of such plans was not necessarily guaranteed. This also caused uncertainties among potential investors. By the early 1950's, both government and opposition supported moves to remove the restriction. This was largely because of the recognition of the need to expand the housing

⁴⁰ Ibid, p.20.

⁴¹ *The Building Construction Control Notice No., 29 of 1949, Statutory Regulations, Government Printer, Wellington, 1949.*

⁴² New Zealand Parliamentary Debate, Third Session of the Thirteenth Parliamentary House of Representatives, comprising the period from 28 October to 27 November 1953, Government Printer, Wellington, 1954.

programme, to allow the growth of commercial building and to expand the growth of the building industry. In 1953 the regulations which restricted the use of cement were abolished.

There were, however, some improvements through the upgrading of hotel accommodation. For example, in 1955 there were approximately 250 more graded hotels than there were when the Price Control grading system was introduced in 1949⁴³.

It was partly the shortage of tourist accommodation that made a New Zealand National Party Ministry take the initiative in supplying it. In 1955⁴⁴ the *Tourist Hotel Corporation Act, No., 89*, was passed. This act, which established the Corporation despite vocal opposition in Parliament, was a response to partially solve a need, in this case to reduce the recognised bed shortages.

The purpose of this act was mainly to set up a public corporation, similar to the National Airways Corporation then, that would be wholly owned and financed by the government. Government was empowered by this act to transfer all the existing government hotels to the ownership of the Corporation. The Corporation would be managed by a Board of Directors and its objectives would be to

⁴³ Peter Lloyd, op.cit., 1964, p. 20.

⁴⁴ *Tourist Hotel Corporation Act, No., 89, of 1955*, New Zealand Statutes, Vol. II, 1955, Government Printer, Wellington, 1955.

provide high quality accommodation and more effective commercialization of its resources.

The Labour Party opposition to the act included the powers of the Corporation to borrow money, lease or sell its property or to buy land. The opposition was also adverse to the powers of the Corporation to build hotels. It held the opinion that there were more urgent needs in New Zealand at that time, such as housing and school construction, rather than the building of luxurious hotels. The Labour Opposition feared that because of the Corporation's powers to borrow money, or to dispose of its property by sale, lease or sublease (clause 9), it would be rendered open to foreign investments, or even foreign takeover. This fear, however, was unwarranted because the Corporation was to be a completely state-owned enterprise with no foreign investment allowed up to this day.

Private enterprise also expressed opposition to the setting up of the Tourist Hotel Corporation. Some felt that the state should not engage in private enterprise activities and that the government tourist hotels should be sold to private enterprise.

Despite this opposition the National Party Government passed the Tourist Hotel Corporation Act. This fulfilled one of the recommendations of the 1946 Royal Commission: that where private enterprise is unable to provide high standard hotels, the state should intervene

and do so. The Tourist Hotel Corporation initially established its hotels in the wilderness areas where private enterprise was unwilling or unable to provide suitable tourist accommodation. This initiative was taken to help allay the fears of the private sector that the Corporation would compete with them in the established resorts.

The Corporation took over all the government hotels. In 1954 the overall loss of the operation of these hotels was approximately \$44,800⁴⁵.

The Corporation recorded many years of losses and these have been blamed mainly on the initial restrictions on the areas where the Corporation could operate, the high cost of operating in remote areas, and the fluctuations in tourist demand. In 1969, for example, the Corporation recorded a total loss of \$1,041,653. In 1972 the net loss of the Corporation was \$166,000.

In 1973 there was a change of government. Under the Labour

⁴⁵ New Zealand Parliamentary Debate, First Session, Thirty First Parliamentary, House of Representatives, comprising the period from 23 August to 28 October 1955, Government Printer, Wellington 1956, p 3301. (1954 returns of government hotels. Profit Hotels: Waitomo (Profit \$10,000); Hotel Wairakei (Profit \$10,000); Hotel Tokanui \$2,000). Loss Hotels: Lake House (Loss \$6,000); Chateau Tongariro (Loss \$21,000); The Glacier Hotel (Loss: \$4,000); The Hermitage (Loss \$11,000); The Milford Hotel (Loss \$19,000); Te Anau Hotel (Loss \$4,000)). Note that the hotels were run just like government departments and this has been blamed for their poor performance. Others have blamed their initial isolation from the main resort centres.

Party Ministry⁴⁶, policies altered so that the Tourist Hotel Corporation could not only operate in wilderness areas, but also in urban centres and popular resorts. Moreover, the Kirk Government directed the Corporation to provide low tariff accommodation and meals for the domestic market.

During the period 1973 to 1979 the Corporation recorded some profits and this was largely due to the increases in both New Zealand and overseas guests to the Corporation hotels. Although in 1980 a net trading loss of \$226,822⁴⁷ was recorded (for details on financial results of the Corporation, see ⁴appendix).

In 1973 the number of New Zealand guests increased by 10 percent and in 1974 increased again by 24.6 percent. Total guest numbers increased from 10,418 in 1972 to 212,790 in 1979 with New Zealand guests accounting for 35 percent of the total⁴⁸. The Tourist Hotel Corporation now owns fourteen hotels and manages three other tourist enterprises. In 1979 the Corporation joined the Flag Inn Motel chain and the Travelodge Motel chain to form an association for a Hotel-Motel referral marketing system. The Tourist Hotel

⁴⁶ The Tourist Hotel Corporation Annual Report, Appendix to the Journal of the House of Representatives of New Zealand, 1973, Vol A-B, B.1 (Pt. III), Government Printer, Wellington, New Zealand, 1974, pp.19-20.

⁴⁷ Tourist Hotel Corporation Annual Report, 1980, J.24, p.5.

⁴⁸ Tourist Hotel Corporation Annual Report, 1973-79.

Corporation also used to manage the Rarotongan Hotel in the Cook Islands and held one third of the shares of this operation. The remaining two thirds are held by the Cook Islands Government and Air New Zealand, each holding one third share respectively.

The Cook Islands has suffered a very poor image recently, resulting from the government's connection with Milan Seicht, the cancer "healer", now under trial in the United States and the Islands. The Islands' image was further tarnished by the humiliation of the late Albert Henry, former Prime Minister, who was charged and found guilty of electoral malpractices and later stripped of his knighthood. These sudden developments and the effects they could have on the Rarotongan Hotel were unexpected risks the Corporation took in going beyond New Zealand to operate in adverse and uncontrollable conditions.

In New Zealand the creation of the Tourist Hotel Corporation and the liberalisation of licensing laws, building regulations and the establishment of a price control grading system did, however, solve the shortages of suitable tourist accommodation. Although hotel beds increased from 4,509 in 1956 to 6,756 in 1958, it was estimated that 7,010 beds were required then to meet visitor demand. This demand was based on an estimated 3,060 overseas visitors

and 3,950 local residents⁴⁹.

Following the establishment of the Tourist Hotel Corporation there began a growing advocacy for a separate directorate of tourism, capable of exploiting the scenic and sports resources of New Zealand to their full advantage. The then Tourist and Publicity Department was a small sub-branch of the Department of Industry and Commerce. In 1957 Dean J Eyre, the Minister in Charge of Tourism and Health Resorts, under a National Party Government, set up a Statistics and Market Research Branch in his Ministry and further established a three year forward advertising budget.

It was also during that year that the New Zealand Travel and Holiday Association was established by various private sector interest groups to promote the development of the industry.

In 1958 a Labour Party Ministry appointed a Cabinet Committee to report and make recommendations on the development of the tourist industry⁵⁰. The terms of reference of the Committee were namely to examine facts concerning the circumstances of the tourist industry. From this study the Committee was required to answer the question of

⁴⁹ Report of the Advisory Committee on Tourism Development, prepared by the Committee appointed by the Minister in charge of Tourist and Health Resorts, October 1958, Wellington, 1959, p 10.

⁵⁰ Ibid.

whether further development of the tourist industry would benefit New Zealand. If the answer was favourable, the Committee was to indicate the general lines of action that would be necessary to achieve the desired development⁵¹.

In 1959 the Committee submitted its report. It reported on the economic significance of the tourist industry and the problems the industry faced. It recommended that government give priority to the development of the industry. It also recommended the opening of an international airport at Auckland and the provision of financial aid by government for tourist accommodation expansion. It advocated the establishment of a Tourist and Publicity Department under a full ministerial responsibility.

As a result of the recommendations of the 1958 Advisory Committee on Tourist Development a Tourist and Publicity Department was established in 1963⁵². This act gave the Department the responsibility for the promotion and development of the tourist industry. It abolished the Department of Tourist and Health Resorts established since 1901. The structure and function of the Tourist and Publicity Department are discussed in detail in Chapter 4. It would suffice here to mention that it functions as a

⁵¹ Ibid.

⁵² *Tourist & Publicity Department Act No. 30 of 1963, New Zealand Statutes, Volume 1, 1963, Government Printer, Wellington, 1964.*

promotion and publicity department, promoting New Zealand tourism locally and abroad. It also functions as a travel bureau, booking and selling New Zealand holidays.

Following from the establishment of the Tourist and Publicity Department, the government further provided incentives and aids to the tourist industry. In the 1963 budget⁵³ the National Party Government made available \$NZ4,000,000 in the form of loans and guarantees. This was part of the Tourist Accommodation Development Scheme introduced to structure growth in tourist accommodation. Other incentives provided in this scheme included a depreciation allowance and the removal of the restrictions on the repatriation of overseas capital. This latter provision was a special recommendation of the 1958 Advisory Committee on Tourist Development. It was hoped that the removal of the restrictions would encourage more foreign investment in tourist accommodation.

In 1965 Auckland International Airport was opened for jet services. The opening of this airport and the trends in visitor arrivals from 1953 to 1965 suggested that the tourist industry was about to enter a growth period never before experienced in New Zealand. Overseas visitor arrivals increased from 18,665 in 1953 to 82,035 in 1965.

⁵³ Peter Lloyd, *op.cit.*, 1964, p.58.

Reserve Bank travel receipts had also increased from \$NZ6,528,000 in 1960 to \$NZ12,538,000 in 1965⁵⁴.

Throughout the 1960's the government continued to aid the development of the industry. In 1966 the depreciation allowance for the tourist accommodation plant was 2 percent per annum⁵⁵. In 1968 this was increased to a 20 percent special depreciation allowance, divided into 10 percent first year allowance, 5 percent second year allowance, 3 percent third year allowance and 2 percent fourth year allowance⁵⁶. Only approved projects of certain size which provided standard facilities and in required locations could qualify for these allowances.

In 1969 the Tourism Committee⁵⁷ of the National Development Conference, a body composed of public and private sector interests appointed by the government, recommended further government assistance towards the development of the tourist industry. As a result of the recommendation of the 1969 Committee a supplementary 2.5 percent depreciation allowance was introduced for a first year allowance while projects which previously did not qualify in 1968 because

⁵⁴ New Zealand Visitor Statistics, 1980-81, Tourist and Publicity Department, op.cit., Wellington, 1981, pp 4, 65.

⁵⁵ The Report of the Tourism Committee to the National Development Conference, Wellington, May 1969.

⁵⁶ Report of the Accommodation Committee, Tourism Advisory Council, Wellington, August 1978, p-1.

⁵⁷ The 1969 Tourism Committee Report, op.cit., 1969.

of size or location could now claim 10 percent first year depreciation allowance. The National Party Government of the 1960's continued to support the tourist industry with special encouragement aids for private sector participation until 1973 when the Kirk Labour Government abandoned some of the existing National Party policies. As discussed, the Labour Government in 1973 paid more attention to developing the Tourist Hotel Corporation and to allowing it to provide services which the previous National Party Government had not. The Labour Party Government also abandoned the loan and guarantee scheme. Labour Party philosophy is traditionally opposed to providing such incentives to certain private enterprises especially overseas owned operations. Thus, the 1973 Labour Ministry abandoned the Tourist Accommodation Development Scheme which was established by the National Party in 1963.

In 1976 the Tourist Accommodation Development Scheme was reintroduced by a National Party Government. The scheme is now administered by the Development Finance Corporation. The scheme was reintroduced to aid in the development of tourist accommodation through loans towards tourist accommodation in New Zealand. In the Auckland area, major hotel projects enjoy a 9.5 percent tax free grant of approved construction cost in place of the 22 percent depreciation allowances⁵⁸.

⁵⁸ Report of the Accommodation Committee, Tourism Advisory Council, op.cit., 1978.

Conclusion

From the historical background given on the causes and context on government involvement in tourism development in New Zealand the following conclusions have been arrived at:

The New Zealand government was among the pioneers of the development of the tourist industry. The extent of involvement of the government in tourism development, however, was determined by economic, social and political factors. In the late nineteenth century the government's involvement in tourism development was mainly to stimulate the domestic travel market and not the overseas travel market. By the early twentieth century, however, the government had established bureaux overseas to attract foreign tourists.

The early stages of the involvement of government in the development of the tourist industry was characterized by contradiction inevitable with conflicting government policies. Although the government wanted to encourage the development of tourist accommodation, it was unwilling to relax the existing licensing laws which inhibited the expansion of tourist accommodation. This was due to political pressure from the prohibition movement.

In the post Second World War period, the various New Zealand governments gave more active support and became

more involved with tourism development. The type and degree of involvement since the Second World War has also been determined by economic and political factors. During the National Party's Ministry private enterprise is encouraged, through various incentives, to take a more active part in the development of the industry. The Labour Party, now in opposition, has always supported the development of the industry. It was a Labour Ministry in 1948 that introduced the Licensed Trust Hotel Systems. It was also a Labour Government that established the first ever Tourist Advisory Committee in 1958 to advise the government on the future development of the industry. It was a Labour Ministry, however, in 1973 that abolished the incentives provided to the private sector in order to stimulate growth in the accommodation sector. But that same Ministry also directed the Tourist Hotel Corporation to provide resorts that were accessible to New Zealanders and to operate in resort areas. In effect, the differences in political party policies with regard to public and private enterprise support has in the past been reflected in the extent and type of government involvement in tourism development.

Today the National Party government, which has been in power since 1975, continues to provide aid and incentives to the private sector. But the current downturn the industry is experiencing has caused some questions to be asked. There are suggestions that the government

investments in the "Think Big" projects⁵⁹ could bring better returns if they were put in the tourist industry because New Zealand has yet to develop its tourist resources fully. The current Minister of Tourism has admitted that he thinks tourism could be put in a higher position than that which it holds today on the National Party government list of development priorities⁶⁰.

In the chapters that follow in this section, the effects of government policies mentioned in Chapter 2 are analysed and evaluated to see the extent of their effectiveness in stimulating or aiding the growth of the industry. Policies that are evaluated include only those formulated and implemented from the 1960's to the 1980's, for the following areas: Tourist Accommodation, Promotion and Marketing, Tourist Transportation, Personnel Training and Recruitment, and National Parks.

⁵⁹ This suggestion was made by Mr Len Bayliss, a controversial commentator on New Zealand's economic growth. He was a former economic advisor to the government. His resignation from that position was due to his criticism of current government economic policies, 25 May 1982.

⁶⁰ The current Minister of Tourism, Mr Talbot, made this admission in a television interview on Television New Zealand on People in the News, Sunday 29 May 1982.

CHAPTER 3

THE EFFECTS OF GOVERNMENT POLICIES ON THE GROWTH AND DEVELOPMENT OF TOURIST ACCOMMODATION

The main objective of this chapter is to identify the effects of government policies on the growth and development of tourist accommodation in New Zealand. The focus is the period between 1960 to 1981 (the contemporary period). In Chapter 2 the brief historical background has made mention of all the relevant government tourist accommodation policies and the reasons for their formulation. This chapter examines the effects of these policies on hotel and motel development from the 1960's and the major reasons for growth and decline.

Furthermore, the chapter examines the income generated from the sector and the number of people employed in it to show the economic significance of the accommodation sector. The chapter also examines the problems associated with the growth and development of tourist accommodation. The two main problems identified in my research are high capital cost and the seasonality of the tourist trade.

As suggested in the proposition, tourism development is to some extent dependent upon the types of policies provided to enhance the growth of the industry. In Chapter 2 the

various government policies introduced to encourage the growth of the industry have been outlined. One main factor that has always influenced government tourism policies in New Zealand has been predictions of trends in visitor arrivals, the accommodating of these visitors, and the economic consequences they have in the form of generating foreign exchange earnings and employment. New Zealand's total export earnings (excluding travel) were approximately \$6 billion in 1980-81. New Zealand Reserve Bank travel receipts for that period totalled \$239,112 million.

The accommodation sector accounts for approximately 45 percent of the estimated visitor expenditure in New Zealand and is, in fact, the highest income earner (excluding air transport travel). This in itself is enough justification for the planning and development of the sector. Out of the total travel receipts of \$160.8 million in 1976-77, a substantial amount was contributed by the accommodation sector. In the year ended 31 March 1977, the estimated expenditure on food and accommodation was \$92.4 million. Australians alone spent \$61.2 million in this sector.

The following table (iii)⁶¹ gives an estimated expenditure on food and accommodation by overseas tourists in New Zealand.

⁶¹ Estimate of number of days in commercial accommodation, Industry Source, Report of Accommodation Committee, op.cit., 1978, Appendix 4.

Table (iii)

Estimated Expenditure on Food
and Accommodation by Overseas Visitors

(Year Ended 31 March 1977)

Country by Purpose and Length of Stay Group	No. of Visitors	Average Length of Stay (Days)	Total Estimated Length of Stay (Days)	Daily Expenditure on Food and Accommodation **	Estimated Total Expenditure
	A	B	C = A x B	D	E = C x D
<u>AUSTRALIA</u>					
Holiday Vacation (1-22 days)	118,508	14,056			
Holiday Vacation (Over 22 days)	32,792	10*			
Remainder	71,504	10*			
TOTAL			270,871	\$22.60	\$61.2 mill.
<u>U.S.A.</u>					
Holiday Vacation (1-22 days)	33,666	8,012			
Holiday Vacation (Over 22 days)	4,286	10*			
Remainder	14,412	10*			
TOTAL			456,712	\$25.13	\$11.5 mill.
<u>CANADA</u>					
Holiday Vacation (1-22 days)	6,388	9,076			
Holiday Vacation (Over 22 days)	2,910	10*			
Remainder	3,572	10*			
TOTAL			122,797	\$23.47	\$ 2.9 mill.
Europe	38,884	10*	388,840	\$24.59	\$ 9.6 mill.
Japan	10,216	8*	81,728	\$25.13	\$ 2.1 mill.
South East Asia	9,598	10*	95,980	\$23.40	\$ 2.2 mill.
Pacific Islands	23,248				\$ 0.5 mill.
Other	10,238	10*	102,380	\$23.28	\$ 2.4 mill.
TOTAL	380,222				\$92.4 mill.

* Estimated number of days in commercial accommodation.

** Industry source.

The figure of \$92.4 million earned by the sector in 1977 was 45% of the total travel receipts of \$160.8 million. However, from the analysis one can see that its contribution to the development of the tourist industry can be measured in financial terms, both as an employment generator and a foreign exchange earner. Tourist accommodation is an employment generator, a foreign exchange earner and also an income generator to the other sectors of the economy. As an employment generator, the tourist accommodation sector employed 32,890 people, of which over 50 percent were women. The following table (iv)⁶² gives a breakdown of the sector and the number of people employed.

Table (iv)

Total Employment in the Tourist

Accommodation Sector in New Zealand: October 1977

Sector	Male	Female	Total
Restaurants	5,080	8,740	13,820
Licensed Hotels	6,490	6,500	12,990
Motels and Unlicensed Hotels	1,880	3,700	5,580
TOTAL ALL MALE	13,450		
TOTAL ALL FEMALE		16,940	
TOTAL ALL SECTORS			32,390

⁶² Report of the Personnel and Training Committee, Tourism Advisory Council, op.cit., Wellington, 1978, p.8.

As a result of increasing visitor arrivals, the shortage of suitable tourist accommodation and the acceptance of the economic significance of the tourist industry, the 1960's saw increasing government involvement. During the 1960 general election the National Party set a target of \$10 million in annual receipts of overseas funds from tourists visiting New Zealand. It also provided policies for the development of the industry. When it came to power after that election it immediately began to implement its tourism development policies. In 1961 it introduced a tourist accommodation mortgage scheme to assist the financing of new hotels⁶³. Under this scheme financial institutions were able to lend money on first mortgages up to 80 percent of the valuation in approved cases. The government guaranteed the difference between 66.7 percent and 80 percent. It was hoped that this scheme would encourage financial institutions to lend out money for hotel development projects. In September 1962 the scheme was replaced by a more comprehensive one. The government introduced a Tourist Accommodation Development Scheme and through the State Advances Corporation it provided a \$4 million loan and guarantee scheme of which \$2 million was for direct loans for approved hotel and motel projects and the other \$2 million for guarantees. This scheme alone provided an additional 1,400 beds⁶⁴. The scheme also

⁶³ Peter Lloyd, *op.cit.*, 1964, p.53.

⁶⁴ *Ibid.*

encouraged expansion in tourist accommodation. In 1963 two important hotel projects were announced. The New Zealand Breweries Limited embarked upon an expansion programme of \$14 million for hotel and motel construction throughout New Zealand, and Pan American Airways Limited also embarked upon a hotel construction programme in Auckland. The two organisations provided 345 rooms and 333 rooms respectively. In fact, in 1963 about \$10 million was being spent on tourist accommodation⁶⁵. That year the Tourist Hotel Corporation, which hitherto was left to administer old government hotel chains in isolated areas, was allowed to expand its activities at Lake Te Anau, Franz Joseph Glacier and Waitangi⁶⁶.

The 1960-63 National Party government removed most of the restrictions on hotel licensing. Controls on hotel tariffs were removed, restrictions under the licensing laws relating to drinking on licensed premises were also removed. The restrictions on the service of meals with liquor after 8 p.m. were also removed. In November 1962 the remaining restrictions on the repatriation of overseas capital from New Zealand were removed⁶⁷.

Although the activities of the government in the early

⁶⁵ Ibid., p.86.

⁶⁶ Ibid.

⁶⁷ Ibid., p.53.

1960's boosted the growth of tourist accommodation, this growth was not sufficient to solve the shortages. In fact, the opening of Auckland International Airport in 1965 was to boost visitor arrivals to the point that acute shortages were again experienced in the late 1960's.

Increasing tourist arrivals in the later part of the 1960's as a consequence of the jet age in the Pacific meant that more rooms were required. At the 1969 National Development Conference the Tourism Committee⁶⁸ submitted a report at the direction of the conference. This report was an assessment of the prospects of the tourism sector of the economy. The Committee was directed to establish targets and to outline requirements for the development of the industry during the next decade.

The 1969 Tourism Committee made several recommendations that formed the basis for the development and expansion policies required for the 1970's. In the area of tourism accommodation it was noted that rooms of good standard for New Zealanders as well as for overseas visitors would require an investment input estimated at \$57 million in the first planned period 1972-73 and \$99 million in the second period 1978-79⁶⁹. In order to achieve this level of investment

⁶⁸ National Development Conference Report on Tourism by the Tourism Sector Committee, May 1969, Wellington.

⁶⁹ Ibid, p. 26.

the Committee recommended the continuation of the Tourist Accommodation Development Scheme which, since its introduction in 1963, had proved to be a successful scheme which had boosted the growth of the accommodation sector. The Committee also recommended that the special depreciation allowance of 20 percent on approved new hotel and motel projects be retained. The Committee further recommended that the Commissioner of Inland Revenue should exercise his discretionary powers to permit the writing off of new structures on the following basis:⁷⁰

Ferro - concrete.....	40 years
Brick, etc.....	30 years
Wood.....	25 years

The 1969 Tourism Committee report paid special attention to the accommodation sector of the New Zealand tourist industry because it accounts for most of the necessary investment and because its demonstrated profitability is critical to the development of the industry⁷¹. At the 1969 growth rate of overseas visitor arrivals it was estimated that rooms required to meet the demand would rise from 4,800 in 1967-68 to 7,300 in 1973, and to 12,000 in 1978-79. Total rooms required for domestic tourists and overseas visitors were estimated to rise from 14,500 in

⁷⁰ Ibid, p.27.

⁷¹ Ibid

1967-68 to 17,700 in 1972-73, and 23,700 in 1978-79⁷².

One problem which always confronts tourist accommodation investment in New Zealand is high capital cost. In 1968 it was estimated that the cost of a room with its attendant amenities would be \$11,000. The total cost for all the rooms required was estimated at \$57.1 million for the first planned period, which meant that a total of \$156.1 million was required to meet visitor demands at 16 percent⁷³ per annum increase of visitor numbers. Of the \$156 million hotel investment required in the period 1978-79, 73 percent was attributed to overseas visitor demand⁷⁴.

The 1969 Committee also paid a lot of attention to promotion and marketing. The following is a summary of recommendations in this area:

- (a) That 4 percent of Reserve Bank travel receipts be allocated for tourism promotion.
- (b) That the tourist promotion tax deduction scheme be continued.
- (c) That the tourist promotion financial inputs be based on gross traffic and yield per

⁷² Ibid, p. 24.

⁷³ Ibid, p. 26.

⁷⁴ Ibid.

tourist.

- (d) That markets be expanded.
- (e) That more market research be carried out by the Development and Research Branch of the Tourist and Publicity Department and that this office be equipped to meet the needs of an expanding industry.
- (f) That public relations campaigns be continued.
- (g) That national image building abroad be undertaken.

The Committee studied all the major areas of the tourist industry including tourist facilities, manpower and training, the environment, national parks, Maori handicraft and other cultural attractions and recommended a planned development approach.

The 1969 Committee recommended the adoption of a target of \$35 million for travel receipts for 1972-73 and \$70 million for 1978-79. To achieve these targets, the Committee recommended that Australian visitors would have to be increased by 16 percent per annum from 61,660 in 1967-68 to 130,000 in 1972-73 and 322,000 in 1978-79. North American visitors would have to be increased by 18 percent per annum in the same period, from 25,000 to 58,000 and

157,000 respectively'⁷⁵. These growth rates had already been achieved since 1969 and in order to maintain them a favourable climate for expansion and well planned, properly co-ordinated development policies were required.

In brief, most of the recommendations of the 1969 Tourism Committee were implemented and most of its projections achieved. Visitor arrivals for holidays and vacations increased from 100,341 in 1968-69 to 324,184 in 1978-79. In 1981 visitors for holidays and vacations totalled 348,960⁷⁶. Travel receipts have also increased substantially in the last decade; the total travel receipts during this period rose from \$17.401 million to \$165,877,000 million in 1978-79. In 1981 travel receipts totalled \$239,112,000 million⁷⁷.

As mentioned in Chapter 2, the New Zealand government uses the depreciation allowance as an aid and strategy to stimulate the expansion of tourist accommodation. Since the 22 percent first year depreciation allowance was introduced in 1975, 90 tourist accommodation projects, providing 6,464 beds estimated to the value of \$43.5 million, have qualified for this allowance⁷⁸. In 1980-81

⁷⁵ Ibid, p 18.

⁷⁶ New Zealand Visitor Statistics, 1980-81, Tourist and Publicity Department, op.cit., 1981, p.4.

⁷⁷ Ibid, p.65.

⁷⁸ Report of the Accommodation Committee, Tourism Advisory Council, Wellington, 1978, p.2.

the first year 22 percent special depreciation allowance for new accommodation was granted to nine projects, providing 717 rooms. The effect of depreciation allowances as incentives for expansion is, however, debatable. It is arguable whether the 22 percent depreciation allowance is an attractive incentive to a tourist accommodation hotel or motel, which in its first year of operation could run at a loss. In this case, the allowance claimable in the form of tax concession only partially affects the losses incurred during the first year of operation. On the other hand, it could be argued that where the tourist accommodation runs at a profit in the first year of operation, the depreciation allowance could serve as an added cash flow and in this case a significant incentive. The evidence, however, shows that since the introduction of the depreciation allowance scheme, many hotel and motel investors have made use of it, thus indicating that it is a welcome assistance from government to the private sector. In effect, depreciation allowances serve as incentives but they are not in themselves sufficient to stimulate growth or development.

The Government Loan and Guarantee Scheme which was abandoned in 1973 was reintroduced in 1976. The scheme is now administered by the Development Finance Corporation. Since the reintroduction of the scheme (Tourist Accommodation Development Scheme) \$14,775,000 has been released in the form of guarantees and \$13,918,000 in the form of loans. These sums have been allocated to help finance twenty tourist accommodation projects that would provide 3,493

beds⁷⁹. These projects are mainly for hotels and motels located in areas where significant shortages would have otherwise been experienced.

In September 1977 the Tourism Advisory Council⁸⁰ was established by the Minister of Tourism to review progress on tourism, examine problems and propose to the government ways in which the industry might continue to be developed. The last such major review was carried out by the 1969 Committee.

The 1977 Tourism Advisory Council, which submitted its report in August 1978, estimated that 2,675 new hotel rooms would be required during the five year period to 1982-83. It recommended that a further 2,925 new hotel rooms would be required during the second five year period to 1987-88. The Council also recommended that the Building Research Association of New Zealand should be encouraged to develop more efficient designs for accommodation construction at lower costs. As well, it recommended the price control over hotel and motel accommodation and meals be removed. The Council further recommended that the first year 22 percent or 10 percent depreciation allowance be made available to either the owner or the lessee of a new hotel, that an option be made available either to claim the 22 percent or 10 percent first year depreciation allowance or

⁷⁹ Ibid, p-8.

⁸⁰ Report of the Tourism Advisory Council, Wellington, 1978, pp-8-9.

to apply for a cash grant of the equivalent taxation benefit. The Council recommended that tourist accommodation projects should, at the discretion of the Minister of Finance, be permitted an additional allowance over and above the initial depreciation allowance where the Minister is satisfied that an additional incentive is necessary to encourage tourist accommodation development in a particular area. It also recommended that consideration be given to the extension of the earnings of tourist accommodation from overseas tourists of incentives analogous with those applicable in the export sector.

The hotel and motel sectors in New Zealand have undoubtedly expanded from 1969 to 1980. Hotel establishments increased from 409 in 1969 to 543 in 1980, a growth of 24.6 percent⁸¹. Hotel rooms increased from 10,535 to 16,322 in the same period, a growth of 35.4 percent. Likewise, motel establishments jumped from 699 to 1,268, a rise of 44.3 percent; motel units increased from 5,070 to 11,523 in the same period, a growth of 56.0 percent⁸² (for details of hotel and motel trends, see Appendix B and C).

Although these increases may appear quite considerable when comparing the 1969 to the 1980 figures, the annual rate is

⁸¹ Accommodation Committee Report, Tourism Advisory Council, op.cit., 1978, p.9.

⁸² Ibid, p.8.

less impressive. The rate of increase in hotel buildings was 2.2 percent and that of hotel rooms was only 6.5 percent per year over the period studied. The rate of both motel buildings and motel units decreased by 1.4 percent over the same period.

The following diagrams (3 and 4) show the percentage change in hotel and motel units between 1969 to 1980.

Figure 3

Graph Showing Percentage Change of
Hotels and Hotel Rooms Over Previous Year (1969-1980)

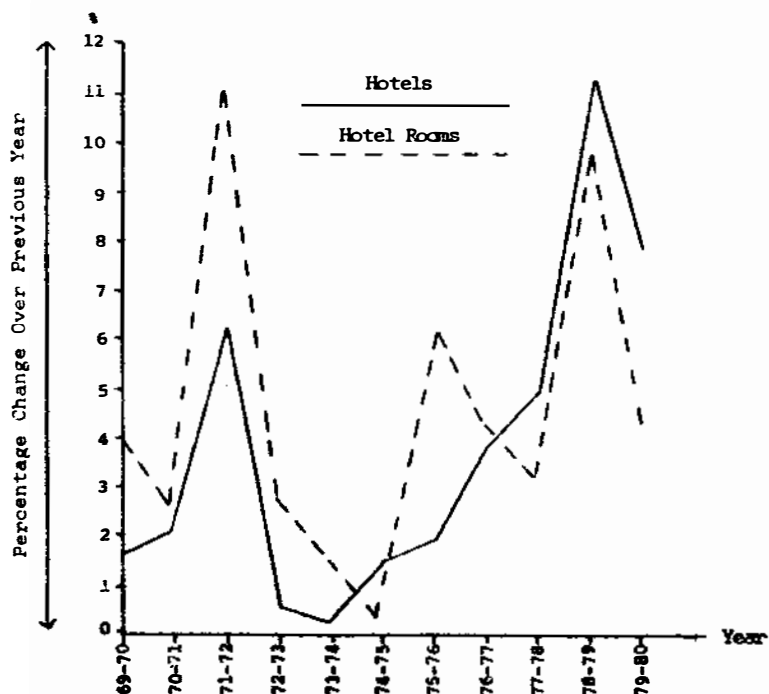


Figure 4

Graph Showing Percentage Change of
Motels and Motel Units Over Previous Year (1969-1980)

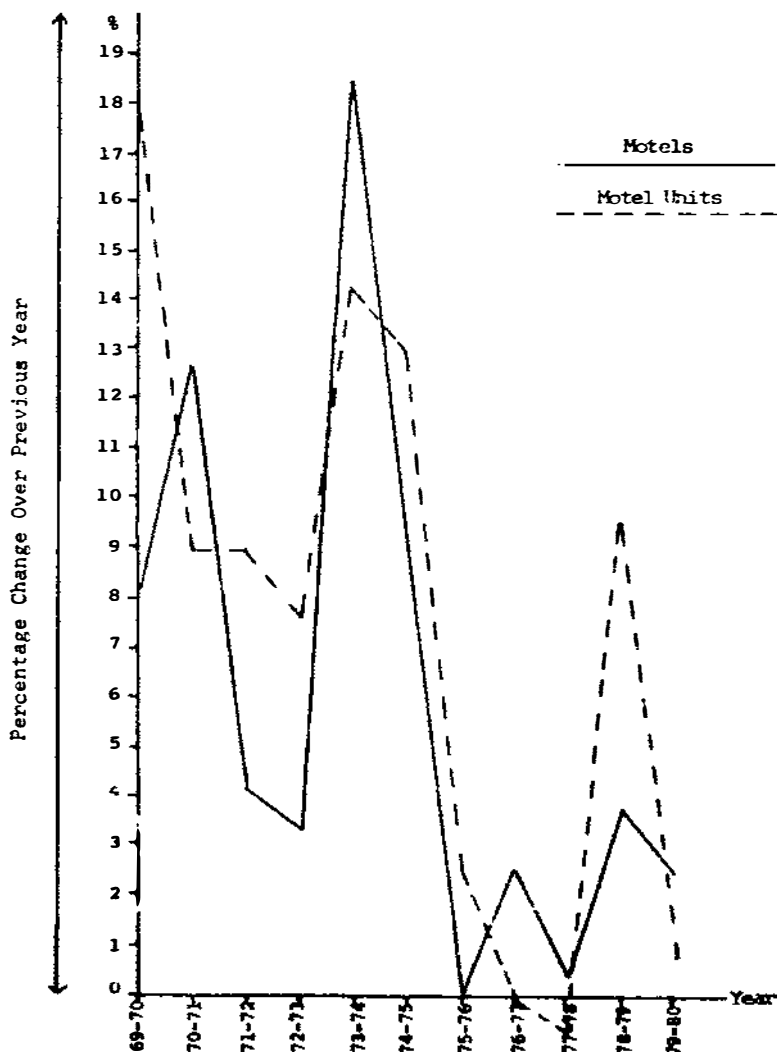


Figure 3 shows that between 1974 and 1975 and between 1977 and 1978 there were increases in the number of hotels built but declines in the number of rooms. This is probably due to more hotels being built with smaller room numbers.

Figure 4 shows that between 1970 and 1971 while more motels were being built the number of motel units declined. The graph also shows that between 1975 and 1976 there was a sharp decline in both the number of motels built and the number of motel units. Between 1976 and 1977 the graph shows that although more motels were built the number of motel units continued to fall. This is probably due to more smaller motels being built with a lesser number of units.

As most overseas visitors require some form of tourist accommodation, expansion must continue as the number of tourists increase. A conservative estimate of rooms required to meet the level of demand was an additional 925 rooms in 1980. The accommodation sector will have to provide an extra 5,600 rooms between 1981-82 if estimated tourist needs are to be met⁸³.

One main problem of tourist accommodation is the lack of large investment for expansion and the high capital cost. The capital cost of tourist hotel accommodation in New

⁸³ Ibid.

Zealand is expensive. The following figures⁸⁴ provided by the Tourism Advisory Council give an indication of cost requirements (see Appendix D on average cost by type).

Table (v)

Area and Capital Cost Requirement for Hotels in New Zealand

1978

Area	Number of Rooms	Total Capital Cost
Auckland	500	\$22,616,000
Rotorua	250	10,000,000
Wellington	175	7,000,000
Christchurch	50	2,000,000
Mount Cook Area	200	7,743,000
West Coast Glaciers	50	1,500,000
Dunedin	75	2,400,000
Queenstown	100	4,000,000
Fiordland	100	3,000,000
TOTAL	1,500	\$60,259,000

In order to meet these investment costs, the government makes loans through the Development Finance Corporation to the private sector and encourages overseas investment in the

⁸⁴ Ibid, p. 54.

form of loans and guarantees and tax concessions enjoyed by all other sectors of the economy. Despite these incentives, the extra beds required to meet current demand have yet to be provided.

Another major problem of tourist accommodation is the seasonality of the tourist trade. Trends in both visitor arrivals and monthly hotel occupancy rates show the type of seasonality. The following table (vi)⁸⁵ shows the monthly occupancy rates in selected tourist resort areas in New Zealand.

Tourist movements and the operation of tourist enterprises such as tour operations, carriers by air, sea and land, and hotels and motels fluctuate considerably from month to month. Seasonality plays a large part in such fluctuations. One consequence of seasonality on the tourist industry is the incomplete utilization of both equipment and staff.

Apart from "natural" seasonality there is also "institutionalized seasonality"⁸⁶. The latter includes holidays and other festive events that occur at specific times of the

⁸⁵ New Zealand Accommodation Inventory and Room Occupancy Rates 1980-81, Tourist and Publicity Department, Tourism Planning and Development Division, Wellington.

⁸⁶ Raphael E V Baron, Seasonality in Tourism: A Guide to the Analysis of Seasonality and Trends for Policy Making, The Economist Intelligence Unit Limited, Technical Series No. 2, London, 1978.

Table (vi)

A Selective Regional Indicator of Monthly
Hotel Room Occupancy, New Zealand 1980-1981

Month	North Island				South Island			
	Bay of Islands	Auckland	Rotorua	Taupo/Wairakei	Christchurch	Queenstown	West Coast Glacier/Haast	Mount Cook/Mackenzie
April	69.5	70.3	70.2	62.9	66.3	64.2	43.4	43.4
May	33.7	61.1	47.8	55.7	60.2	31.8	27.3	35.0
June	28.4	57.5	39.5	54.4	48.1	16.3	15.1	13.6
July	22.4	61.7	37.6	52.1	51.4	37.1	12.9	17.5
August	33.2	62.2	43.9	64.7	58.9	58.3	21.8	44.0
September	40.2	65.1	50.7	74.0	60.8	48.0	22.5	41.2
October	54.5	76.6	70.8	70.0	62.2	55.7	39.4	38.1
November	66.1	84.9	70.1	66.4	80.8	64.4	50.0	49.6
December	51.0	57.2	41.1	52.8	48.0	41.2	31.7	29.4
January	85.5	62.3	59.3	71.8	71.6	65.1	67.4	53.9
February	78.9	86.3	70.9	72.3	83.1	71.2	56.5	51.5
March	83.5	81.0	67.7	65.1	79.6	75.6	59.6	52.9
Annual Room Occupancy	53.8	68.8	55.7	63.4	64.1	52.4	37.2	39.1

year, such as Christmas and Easter. Seasonality can also be classified into seasonality of demand and seasonality of

supply⁸⁷. The seasonality of demand is determined by the period in which holidays occur in the source country and the seasonality of supply is determined by the types of attractions and tours in the destination country.

As a consequence of seasonality, some tourist areas manifest very strong high seasons or peak periods and very low or negligible tourist activity during the rest of the year. The effects of seasonality are reflected in the fluctuations in room occupancy rates. In New Zealand there are basically two peak tourist seasons, namely the summer season, which is the main season, and the winter season. In general, all tourist resorts in New Zealand record high occupancy rates during the summer season. In the winter season, however, only resorts that offer winter sports such as snow skiing record high occupancy rates. For example, occupancy rates in the Bay of Islands between the end of December to the end of March range from 75 percent to 85 percent⁸⁸. But in winter, starting from June to the end of August, the occupancy rate ranges from 22 percent to 40 percent. Queenstown and other resorts that have winter resources such as snow skiing record over 50 percent occupancy rates during the winter period⁸⁹. National

⁸⁷ Ibid.

⁸⁸ New Zealand Accommodation Inventory and Occupancy Rates, 1980-81
Tourist and Publicity Department, Tourism Planning and Development
Division, Wellington, p.3.

⁸⁹ Ibid, p 32.

occupancy rates in winter are, however, generally lower than occupancy rates in summer.

There are also special periods when occupancy rates tend to peak. These periods include the Easter weekend, May school holidays, Queen's Birthday weekend, August school holidays, Christmas holiday period and the first seven days of the calendar year. Occupancy rates during these specific holiday periods range from 60 percent to 90 percent, depending on which holiday period and the popularity of the resort area¹¹.

The monthly occupancy rates in New Zealand's main tourist resort areas show that the low periods are from April to June (Autumn) and between September to early December (Spring and early Summer). The peak periods are from late December to April (Summer) and between July to the end of August (Winter).

Because of the seasonal nature of the tourist trade, tourist accommodation shortages and bed demands are variable. Thus, while in the summer peak period bed shortages do occur, in the non-peak period there exists over capacity of bed supply. Thus, as long as the summer peak of tourist travel remains, there will be little incentive to provide more hotel beds merely to accommodate

¹¹ Ibid, p.14.

an increase in peak demand.

There are several suggestions as to how the problem of seasonality in New Zealand can be reduced. One suggestion from the New Zealand Travel and Holiday Association is to stagger the school summer holidays by starting them from September and ending them in early December so that the main peak is in late December, early January.

At the present time, the summer peak season in New Zealand is caused by the domestic market taking summer holidays at the same time that overseas visitors also take their holidays in New Zealand. It is hoped that by staggering the school holidays to the early summer period the void between September to December would be filled. It is doubtful, however, that changing the school holidays would make much of a difference. Students do not make up the bulk of the domestic tourist market. Even if school holidays were brought forward, this would not necessarily enable the working parents to travel with their children since working parents get their holidays only during the Christmas break. It would also be unacceptable to the working population to take their Christmas holidays earlier in December. Summer holidays over the Christmas period are an established tradition and for social and political reasons it would be impossible to change it.

The problem of seasonality can, however, be reduced by

other, more feasible means. One bold move would be to promote trans-Tasman sporting activities in winter, spring and autumn, and to offer travel packages that would encourage mass weekend travel from Australia to New Zealand. For example, a rugby union or soccer match between Australia and New Zealand in early spring, if packaged properly, could be capable of attracting spectator-tourists across the Tasman. To provide such a package, however, more research as to its feasibility would be required.

New Zealand could also be developed into an international convention centre in the South Pacific. International convention facilities could be provided and marketed during the low periods. Other activities that could be used during the low periods include the promotion of international trade fairs, conferences and seminars.

Conclusion

From the information and analysis given in this chapter, the following conclusions are drawn. The tourist accommodation sector is a substantial foreign exchange earner. According to the 1977 figures overseas tourists spent approximately \$92.4 million on food and accommodation. Another significant role of the sector is its employment function. Approximately 32,000 are employed in the tourist accommodation sector. These two economic indicators are justifications for the development and expansion of the sector.

From the analysis given, there are several factors that influence government aid to the sector. The two main factors have already been mentioned, namely, foreign exchange earnings and employment generating capacity. Increasing visitor arrivals since the 1960's and the experience of bed shortages have also played major roles in influencing the government to provide aid policies that stimulate the growth and development of the sector. The two main schemes are the Tourist Accommodation Development Scheme, through which loans and guarantees are provided by the government, and the 22 percent depreciation allowance provided by the government to hotel developers. As shown, both schemes have in the past stimulated growth and expansion in tourist accommodation in New Zealand since their introduction in the 1960's.

Despite government incentive schemes, annual growth rates of hotels and motels has been low. For example, between 1969 to 1980 the rate of increase of hotel buildings was 2.2 percent and that of hotel rooms was only 0.65 percent per year over the period studied. The rate of motel buildings per year over the same period actually declined by 1.4 percent.

There are two main factors responsible for the slow growth of tourist accommodation in New Zealand. These are the high cost of hotel construction and the seasonality of tourist trade. Both factors are disincentives to would-be investors in tourist accommodation. In order to overcome these difficulties it would be advisable for the government to continue its tourist accommodation incentive schemes and for the tourist industry in general to formulate alternative packages for the off-season that are more attractive than those available during the peak seasons.

CHAPTER 4

THE "TOURIST PRODUCT" OF NEW ZEALAND - THE METHODS OF PROMOTION AND MARKETING

A Introduction

The objective of this chapter is to identify the policies, strategies and resources that are used in promoting and marketing New Zealand's "tourist product". The chapter also identifies the major markets that generate tourist arrivals to New Zealand and the types of activities and attractions that draw these tourists to New Zealand. The chapter is divided into the following sections:

- (a) The Major New Zealand Overseas Tourist Markets.
- (b) The Tourist Product of New Zealand and Visitor Activities.
- (c) Promotion and Marketing of New Zealand's Tourist Product.
- (d) Conclusion.

It is postulated that the effective utilisation of financial, human, and physical resources and processes is a pre-requisite for the maximisation of profit and benefits from tourism activities. This means that when planning for the promotion and marketing of the tourist product, strategies are required to effectively utilise these tourism resources -

financial, human, and physical - towards the maximisation of profits and benefits. This would demand the packaging of the attractions, the setting up of promotion and marketing organisations, and the provision of adequate financial resources for the operations of those organisations responsible for the selling functions.

Promotion and marketing are organisational activities. In order to plan for these it is important to determine the information that would give the planner an insight into the nature of the market concerned. Many methods can be used to gather the information required. One such method is sample survey techniques which identify the origin, sex, age, income, expenditure patterns, travel mode preferences, travel frequency of tourists, and the types of leisure activities of tourists in the destination country. Another method is sample survey inside the market with the view to determining travel behaviour and destination preferences.

Sample survey techniques are widely used and their validity is commonly accepted by researchers. They help us understand to some degree present market conditions and market trends on which plans can be based for future action. Many sample surveys have been carried out in the various New Zealand tourist markets. The information gathered from such exercises is readily available. The data used in this chapter is mainly derived from such previous exercises.

B The Major New Zealand Overseas Tourist Markets

In any promotion and marketing plan the first step is to identify the markets concerned. These can be identified according to tourist visitors' origin.

In the 1980-1981 period 401,834⁹¹ visitors came to New Zealand. This figure includes those on working holidays, stopover visits, educational trips and also through passengers. Out of this number 87 percent⁹² of the visitor arrivals came from Australia, United States of America, United Kingdom, Canada, Japan and Western Europe. Australia is the major New Zealand tourist market. In the 1980-1981 tourist season 215,516 overseas visitors came from Australia, accounting for 46.5 percent of total visitor arrivals⁹³. The next most important source of visitors is from North America (United States and Canada). In the same period, 1980-1981, 93,034 visitors came from North America, accounting for 20.1 percent of total visitor arrivals⁹⁴. Visitor arrivals from the United Kingdom in the same period totalled 35,306; Western Europe 26,332 and Japan 20,523⁹⁵. These areas are the major sources of overseas visitors to New Zealand and projections made on market growth show that

⁹¹ New Zealand Visitor Statistics, op.cit., 1980-81, Wellington, p.4.

⁹² Ibid., pp.11-12.

⁹³ Ibid.

⁹⁴ Ibid.

⁹⁵ Ibid.

they will continue to be the major tourist generating areas. The following table (vii)⁹⁶ shows the major market areas in terms of visitor arrivals during the period 1977-81.

Table (vii)

Major Market Areas in Terms of Visitor
Arrivals and Annual Percentage Changes in New Zealand

Year	Australia	North America	United Kingdom	Continental Europe	Japan
1977	222,804	65,234	25,468	13,038	10,216
1978	216,444	67,096	27,946	16,200	12,888
1979	217,776	72,432	28,664	16,876	13,568
1980	214,478	87,156	34,672	21,792	17,480
1981	215,516	93,034	35,306	26,332	20,532
PERCENTAGE OF TOTAL ARRIVALS					
1977	58.6%	17.2%	6.7%	3.4%	2.7%
1978	55.4%	17.2%	7.2%	4.1%	3.3%
1979	52.0%	17.3%	6.9%	4.0%	3.3%
1980	48.2%	19.6%	7.8%	5.0%	3.9%
1981	46.5%	20.1%	7.6%	5.7%	4.4%

⁹⁶ Ibid.

Overseas visitors come to New Zealand for many reasons. In New Zealand visitors are categorized into the following: holiday/vacation, stay with friends or relatives, performing arts, business, working holiday, education, stopover, through passengers, and others. The last category includes all those arrivals coming to New Zealand for purposes other than those mentioned above. All these categories contribute toward foreign exchange earnings.

The following table (viii)⁹⁷ shows the number and percentage of the types of visitors to New Zealand in 1980 and 1981.

Vacation and holiday pursuits were the aim of almost one fifth of all visitors, as they were for the most numerous age group of people between 24-34 years⁹⁸. In 1981 this age group totalled 47,293, that is, 19.2 percent of total visitor arrivals on holidays and vacations⁹⁹. The second largest age group falls between 55-65 years¹⁰⁰. In 1981 this group numbered 32,940 and formed 16.6 percent of the total visitor arrivals¹⁰¹ (See Appendix J for total age structure of visitors on holidays and vacations in New Zealand, 1980-1981).

The significance of these figures is that they give an

⁹⁷ Ibid., pp.8-9.

⁹⁸ Ibid., pp.21-22.

⁹⁹ Ibid.

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

Table (viii)

Number and Percentage Distribution
of Visitor Type to New Zealand
1980 and 1981 (Year Ended February)

	1980	%	1981	%
Holiday or Vacation	243,229	84.4	246,520	83.0
Visit Relatives or Friends	96,236	7.5	102,440	8.0
Business (Private or Official)	46,742	3.7	50,714	4.0
Work or Working Holiday	15,420	1.2	15,578	1.2
Formal Education	2,860	0.2	2,769	0.2
Stopover	14,264	1.1	17,448	1.4
Performing Arts or Sports	2,256			
Other	24,180	1.9	27,987	2.2

indication of the target groups the promotion and marketing strategies should be aiming at. The needs and expectations of the various age groups are different. For example, the younger age groups may be more interested in vigorous leisure and sporting activities such as skiing, whereas

the older age group may be more interested in sightseeing activities which are less physically demanding. It is also important to realise that the younger age group may prefer fly-drive, do-it-yourself type of sightseeing and the older age group may have a preference for coach and group tours. An awareness of these differences is important when planning for the promotion of the various aspects of the "Tourist Product".

C The Tourist Product of New Zealand and Visitor Activities

Trends in tourism such as reduced air fares in the Pacific region and elsewhere indicate that the competitive positions of the destinations are increasing. The travel situation has changed from a seller's market to a buyer's market. Success will, now and in the future, depend upon the ability of destinations to promote and market distinctive products and services; to price the packages desired to meet the buying powers, needs and expectations of a large cross section of the market, and to meet the requirements of certain customers. The tourist product should therefore be what will sell.

My categories of the New Zealand "Tourist Product" are:

- | | |
|---------------------------------|--|
| (a) Natural Physical
Beauty: | This includes mainly land-
scape beauty such as the |
|---------------------------------|--|

snow-capped peaks of Mount Egmont, Mount Cook, the glacier region in the South Island, the Waitomo Caves, and the thermal regions of Rotorua and their related sporting and leisure activities.

- | | |
|------------------------------|---|
| (b) Aquatic
Attractions: | These include the rivers, lakes, and beaches and the related sporting and leisure activities. |
| (c) Cultural
Attractions: | The major cultural activities promoted in the New Zealand product image are Maori culture and Maori handcraft activities. |

The main sporting and leisure activities related to these attractions are: sightseeing, fishing, skiing, hunting, seaside activities and handcraft shopping. The integration of the physical attractions and leisure activities is dependant upon the presence of certain infrastructural support systems. New Zealand's tourism infrastructure is highly developed. All the major tourist centres are connected by rail, road and air transport services. These services are comparable in standard to those in other

advanced industrial societies.

The following table (ix)¹⁴² shows visitor responses on tourism facilities in New Zealand on a point score basis.

Table (ix)

A Sample of the Market View of
the Tourism Facilities in New Zealand

Facilities	North Americans		Australians	
	Before	After	Before	After
Good fishing facilities	2.9	2.9	3.2	3.3
Good skiing facilities	2.5	2.6	3.3	3.3
Good hunting facilities	2.3	2.5	2.7	3.0
Excellent food and cuisine	2.7	3.2	3.0	3.2
Good hotel facilities	2.9	3.4	3.1	3.4
Good shopping facilities	2.5	3.0	2.7	3.0
Excellent sight-seeing facilities	3.3	3.7	3.7	3.6
Good entertainment facilities	2.3	2.6	2.5	2.5

¹⁴² Report of the Promotion and Marketing Committee, Tourism Advisory Council, op.cit., 1978, p.62.

These studies used a numerical scale to indicate levels of agreement with a range of predetermined statements, in the following way:

- Yes, definitely true.....4
- Yes, possibly true.....3
- Probably not true.....2
- Definitely not true.....1

The median score of 2.5 indicates that the tourist has no strong convictions either way. The higher the score, the more emphatically the tourist agrees with the statement and the lower the score, the more he disagrees. The tourist was invited to agree or disagree with 29 different statements about New Zealand; firstly on his impressions before visiting the country and then on his impressions immediately before leaving.

Except for entertainment, Australian and American visitors in general rate New Zealand hotel accommodation, restaurants, shopping and sightseeing very well.

The sample survey on the market view of the tourism facilities in New Zealand indicates that sightseeing facilities are the main attraction. This is followed by good hotel facilities, skiing and fishing facilities. It is therefore logical that these attractions should be given priority in any promotional and marketing exercise.

D Promotion and Marketing of New Zealand Tourism

The major tourist generating countries for New Zealand are Australia, North America, the United Kingdom, Western Europe and Japan. The following table (x)¹⁸⁸ shows the amount spent on promoting travel in New Zealand in these markets for the year 1977-78.

Table (x)

Promotional Expenditure for New Zealand
Travel in the Five Major Market Areas
1977-78 (\$NZ)

Organisation	Major New Zealand Travel Markets				
	Australia	Nth America (US Canada)	U.K.	Japan	Western Europe
	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)
Tourist & Publicity Department	399,350	617,000	92,000	147,000	82,000
Air Carriers	1,000,000	1,680,000	208,000	210,000	30,000
Tour Operators & Others	360,000	200,000*	40,000	(unknown)	10,000
TOTAL	1,759,250	2,500,000	341,000	357,000	122,000

* A conservative estimate (actual figure not available)

¹⁸⁸ Figures collected from various sections of Promotion and Marketing Committee Report, 1978.

The level of promotional expenditure is in the vicinity of \$5.5 million. Most of this is borne by the New Zealand government through the Tourist and Publicity Department and by Air New Zealand. Promotional funds are a key issue in marketing planning. They are the financial resources necessary in the selling exercise.

The government promotes tourism through the Tourist and Publicity Department, established in 1963 by an act of Parliament¹⁶⁴. As mentioned in Chapter 2 the establishment of a full Tourist Department under a full Ministerial responsibility was one of the recommendations of the 1958 Tourism Committee. It was also a recommendation submitted to the government by the Auckland Junior Chamber of Commerce.

The main functions of the Tourist and Publicity Department are to promote travel to, within, and beyond New Zealand; to develop domestic tourism and to stimulate off-season travel; to publicise New Zealand overseas in the national interests of tourism, trade and prestige; to undertake research in the interests of tourism, including development; to administer schemes for financial assistance for the provision of accommodation and other tourist facilities; to operate, sell and provide a booking service to assist

¹⁶⁴ Tourist and Publicity Department Act No. 30 of 1963, New Zealand Statutes, Vol I, 1963, Government Printer, Wellington, 1964, p-319.

overseas travel agents, and to provide within New Zealand information and publicity services for ministers and other departments and government agencies. In order to help promote and sell New Zealand as a destination, the Department has travel commissions in Sydney, Melbourne, Brisbane, San Francisco, Los Angeles, New York, London, Tokyo, and Frankfurt and has plans to open a travel commission in Canada in the near future. The staff ceiling of the Department in the 1979-80 financial year was 639. This compares with 776 in 1978 and 747 in 1979. Within the Tourism Division there are 405 staff members, over half of the Department's total¹⁹⁵.

By this Act, the Department can function as a travel agent and also as a publicity and promotion organisation on behalf of the government through the production, sale and distribution of publicity material and films. It is also empowered to carry out advertising activities. The Act provides for a consultative mechanism between private sectors and the Department. Under Section II of the Act, the New Zealand Travel and Holidays Association, a private sector organisation, may advise the Minister in Charge of Tourism on any matter relating to the development of the tourist industry. This association receives an annual grant from the government. This provision in the Act was

¹⁹⁵ Report of the Tourist and Publicity Department for the Year Ended 31 March 1981, Government Printer, Wellington, 1981

the main cause of the Labour Party opposition to the Act as it felt that it was merely creating a statutory privilege to a private sector organisation. Since the Tourist and Publicity Department Act was passed the Department has developed to be the most important tourism organisation in New Zealand, giving lead and direction. The following sections make up the organisational units of the Departments¹⁰⁶.

1) The Tourist Division

The main function of this division is to promote New Zealand as a tourist destination. This function is carried out mainly through the division's overseas offices. The division also functions as a travel agent. It co-ordinates its activities with other travel organisations such as airline companies operating to and from New Zealand, shipping companies, transport firms and accommodation houses.

2) Information and Publicity Services Division

This division was first established by a Cabinet decision on July 7, 1950 to promote information and publicity services for government departments. Its statutory existence was provided for by the 1963 Tourist and Publicity Department Act.

¹⁰⁶ Work of the Tourist and Publicity Department, Wellington, April 1975 (official release).

The division is made up of two sub-divisions; the Information and Press Section and the Overseas Information and Publicity Section. The division is responsible for advertising campaigns and the planning and execution of public relations programmes of the various government departments. It prepares publicity materials required by the government such as press publicity, radio and television news items, advertisement materials, films, filmstrips. It also provides a common editorial service for departmental publications. Information and publicity services are provided by the division for all New Zealand government overseas offices.

The function of the Information and Publicity Services Division is not restricted to tourism publicity. All government publicity needs are carried out by the division. This multiplicity of function needs to be looked at properly to see whether the division has the capacity to carry out both tourism publicity and general government publicity programmes. It is the view of the Department that the division, as constituted now, no longer has the capacity to carry out all these functions. Ideally, therefore, it would be more appropriate to separate the tourism promotional and publicity function of the division from the general publicity function, rather than overburdening the division.

3) The National Publicity Studios

The National Publicity Studios are part of the Tourist and Publicity Department. The main functions of this division are to create, assist and advise on any facet of art, display or photographic work for any organisation or individual who has a claim to New Zealand publicity material. It maintains a National Photo Library, an art section, a display and workshop unit that produces graphic arts, silk screens, carvings and posters.

4) The National Film Unit

The National Film Unit is responsible for showing New Zealand to New Zealanders and for showing the country, its people and their way of life to the rest of the world. It was originally established in 1944 and since then has produced several films directed to attract overseas visitors to New Zealand. For example, in 1963 the Film Unit, in collaboration with Arthur Cohen of Universal Pictures, produced a promotional film called The Land of the Long White Cloud, which was widely circulated in the U.S.A. as a support film to Alfred Hitchcock's thriller "The Birds". The National Film Unit was also deeply involved in the production of stereophonic film presentation for Expo '70. In 1971, the Unit organised the exhibition of the 3-screen spectacular This is New Zealand throughout New Zealand, which attracted an audience of over 550,000.

Similar to other divisions of the Department, the function of the National Film Unit is not restricted to tourism promotions and publicity. It also produces films for commercial distribution, both in the national and overseas markets. It produces wide-screen colour films of a prestige or tourist nature; education, documentary, information, medical, tourist and trade promotion films. Also included are subjects for television release and films for government departments.

Apart from the above activities, the Tourist and Publicity Department also sponsors attendance to travel conferences, international trade fairs and promotional programmes overseas.

One problem related to tourism promotion is cost. The following table (xi)¹⁰⁷ shows a summary of the 1978-79 and 1973-80 votes and estimates of the Department.

The tourist promotion budget allocated to the Department for 1980-81 was \$NZ2.869 million. This figure compares with \$2.454 million which was provided in 1979-80, and \$2.29 million the previous year. The total vote of the Department was \$15,484 million in 1980-81¹⁰⁸. This figure

¹⁰⁷ Estimates of the Expenditure of the Government of New Zealand for the Year Ending 31 March 1980, 137, (PT.1), Government Printer, Wellington, p.272.

¹⁰⁸ Ibid.

Table (xi)Tourist and Publicity Department Vote Summary \$NZ(000)

Tourist & Publicity Department	1979-80				
	Personnel	Other Changes	Total	Voted	Expended
<u>Programmes</u>					
General Administration	529	307	736	738	689
Tourist Facilities and Amenities	322	187	509	465	442
Tourist Promotion	257	2,835	3,086	5,225	5,067
Travel Service	1,989	870	2,859	2,844	2,781
Films and Displays	2,008	3,169	5,237	4,375	3,920
Information and Publicity Service	603	105	1,798	818	736
TOTAL (Funded from Consolidated Revenue)	5,852	7,373	13,225	14,465	13,635

compares with \$14,645 million provided for the 1979-80 period. Although there have been increases in the amount of money allocated to the Department and for that allocated for tourist promotion, these sums are minimal when compared to total government expenditure from the consolidated account. For example, total government payments for 1981 were

\$9,004,153 million¹⁰⁹. When compared to this amount, the \$15,484 million voted for the Department in 1981 represented 1.7 percent of total government expenditure.

The opinion of the Tourism Advisory Council is that promotional expenditure available from government is adequate to effectively promote New Zealand in its main markets. The allocation for the Tourist and Publicity Department in 1980-81 for tourist promotion was \$2.869 million. This accounted for 18.5 percent of the total Department vote. However, it represented only 1.2 percent of total 1980-81 Reserve Bank Travel Receipts of \$239.112 million¹¹⁰.

Total figures for private sector promotional expenditure are not available. New Zealand tour operators in Australia, such as Trans Tours, Newmann Tours Limited, Guthreys N.Z. Limited, Mount Cook Tours Limited, Horizon Holidays N.Z. Limited, Value Tours Limited, and Mutual Holidays Limited spent about \$250,000 promoting New Zealand travel in Australia¹¹¹.

It is estimated that about \$1,760,000 was spent promoting travel to New Zealand in Australia in 1977-78¹¹². Seen in

¹⁰⁹ Financial Statement, House of Representatives, 9 July 1981.
Government Printer, Wellington, 1981, B.6, p.41.

¹¹⁰ New Zealand Visitor Statistics, op.cit., 1980-81.

¹¹¹ Report of the Promotion and Marketing Committee, Tourism Advisory Council, op.cit., 1978, p.36.

¹¹² Ibid.

the context of total measured media expenditure on travel and tour advertising in Australia, which amounted to \$A19,326,577¹¹³ (December 1976), the New Zealand input represents only 8 percent of the total input in tourism advertising in that market source. At that time over 50 percent of tourists who came to New Zealand originated from Australia and 22 percent¹¹⁴ of all outward bound flights from Australia came to New Zealand.

Approximately 18 percent of Australians travelling overseas come to New Zealand. In fact, New Zealand ranks at the top of the ten major destinations Australians travel to¹¹⁵. Nevertheless, Australian visitor arrivals to New Zealand have been declining since 1977. They have dropped from 222,804 in 1980 to 215,576 in 1981. This figure accounted for 46.5 percent of all visitors in 1981¹¹⁶. Seen in this context the effects of promotional activities by New Zealand in Australia are not really stimulating growth in this particular market. The Tourism Advisory Council blames the limited financial input available for tourist promotion.

The amount of \$2,500,000¹¹⁷ spent on promotion of New

¹¹³ Ibid.

¹¹⁴ Ibid.

¹¹⁵ Statistical Review, 1980, Australian Tourist Commission, Melbourne, p.71.

¹¹⁶ New Zealand Visitor Statistics, op.cit., 1980-81, pp.11-12.

¹¹⁷ Report of the Promotion and Marketing Committee, Tourism Advisory Council, op.cit., 1978, p.38.

Zealand in North America is, by comparison to Australia's allocation, higher. But when considered in relation to the high cost of advertising and the vast size of the North American market this sum is insufficient to have any real impact.

The following table (xii)¹¹⁸ shows a sample of the cost of media advertising in North America in selected areas and selected media.

In the light of such high costs in North America alone the total vote of \$2,869 million is hardly adequate to cover that market as well as the Australian, U.K., European and Japanese markets. In order to expand and penetrate more deeply in the present markets, New Zealand must increase its promotional expenditure and programmes in its major markets.

The Tourism Advisory Council has recommended that 4.5 percent of Reserve Bank Travel Receipts ¹¹⁹ should be allocated to the Tourist and Publicity Department for promotion and marketing activities in line with normal commercial practice. This converts to approximately \$5.9 million in current terms, that is, approximately \$2.5 million more than the present vote.

¹¹⁸ Ibid, p.54.

¹¹⁹ Ibid, p.43.

Table (xii)

A Sample of Promotion and
Advertising Cost in North America

(a) Television

	<u>Daytime</u>	<u>Primetime</u>	<u>Late News</u>
Los Angeles Local	\$US 882	8,398	2,666
New York Local	996	11,168	5,232
Vancouver B C Local	\$C 250	1,050	490
ABC, NBC or CBS	120,000 (Av.)	130,000	24,000

These costs are for 60-second commercials,
the 30-second rate is half.

(b) Weekly Magazines

	<u>Circulation (000)</u>	<u>Cost Per Page Black & White</u>	<u>Cost Per Page 4 Colours</u>
Time	4262.6	\$34,320	\$53,195
Sports Illustrated	2274.2	21,800	34,013
New Yorker	492.0	6,500	10,400

(c) Daily Newspapers

	<u>Circulation (000)</u>	<u>Cost Tabloid Page</u>
Los Angeles Times	1300.2	\$ 5,733
New York Times	1479.9	5,918
Sun Province (Vancouver)	364.8	\$C2,566

One problem related to cost factors in promotion and marketing is market research. The 1979-80 Tourist and Publicity Department estimates provided \$46,000¹²⁰ under the tourist promotion programme for research on travel. Projects included motivation and attitudinal surveys conducted amongst overseas visitors. Additional studies of travel patterns and accommodation requirements in respect of both overseas visitors and New Zealand travellers are being developed to ensure that a sound basis continues to exist for the Department's research and advisory services. This allocation is sufficient for research in New Zealand, but it is quite inadequate for carrying out intensive and extensive market research activities in the main New Zealand tourist markets. If, for example, a twelve months' research programme was to be carried out in Australia and the U.S.A. by a team of twelve researchers in each market, with salaries of approximately \$10,000 per annum, the sum voted for research in the last three years would not even be enough to meet the salary cost.

The Tourism Advisory Council itself has pointed out that the six market research studies done in Australia and the U.S.A. between October 1976 and February 1978, which looked at visitor attitudes to the New Zealand product, were not particularly vigorous or profound¹²¹. The cause of this

¹²⁰ Estimates of the Expenditure of the Government of New Zealand, op.cit., 1980.

¹²¹ Report of the Promotion and Marketing Committee, Tourism Advisory Council, op.cit., 1978, p.80.

lack of in-depth research is limited funds.

One area that needs market research is in the type of activities that appeal to different groups of tourists. Some idea of this can be gained indirectly by the indication of the places overseas visitors go. For example, in the scenic areas like Westland/Glaciers, Rotorua, Fiordland, and the Mount Cook regions, the percentages of overseas visitors recorded in 1977 were 74 percent, 62 percent, 89 percent and 72 percent respectively, between May to October 1977. A market survey carried out by the Promotion and Marketing Committee of the Tourism Advisory Council in the six major New Zealand tourist markets gave some insight into the view of the tourists about New Zealand. In brief, New Zealand is seen as a beautiful country with fine mountains, pastoral and volcanic scenes, contained in a small enough area to permit maximum sight-seeing with minimum travel. It has a good climate, it is a fresh, "open air" country with outdoor recreational facilities to match. There are few people there; it is unspoiled, unpolluted and life is slow-paced and relaxing.

Massive funding, however, is not a panacea for successful promotion and marketing programmes, especially in tourism. What is required is a marketing plan that will provide the appropriate "Marketing Mix". A "marketing mix" is a combination of strategies such as adequate finance, product image formation, publicity and promotion and adequate sales outlets. The finance for tourism promotion

and marketing in New Zealand is based largely on a percentage from the total Reserve Bank Travel Receipts, plus other funds granted to the private sector, either in the form of direct grants or export incentives on cost items incurred under promotional activities. Whether such a method of financing is desirable depends on the impact such expenditures have on the growth of the number of visitor arrivals and earnings from such visitors. If promotional impact is measured by the number of visitor arrivals and earnings, the New Zealand case would reflect \$2,869 million direct promotional expenditure for the 1980-81 period effectively generated a market share of 246,520 holiday or vacation visitors¹²². Although it is difficult to establish the relationship between total foreign travel exchange earnings and promotional expenditure, it is valid to assume that the attracting of tourists is largely a result of promotional efforts. In order to establish the cost of promotion per tourist, the following mathematical formula could be used:

$$\begin{aligned} X &= \text{Total promotional expenditure} \\ Y &= \text{Total number of tourists} \\ N &= \text{Cost of promotion per tourist} \end{aligned}$$

Thus, to establish the cost of promotion per tourist the

¹²² New Zealand Visitor Statistics, Tourist and Publicity Department, op.cit., 1980-81, p.4.

formula ($N = \frac{X}{Y} = \$N$) as the cost per tourist for promotional expenditure. In New Zealand's case, if we take the 1967-77 figures, this will give us:

$$X = \$2.869 \text{ million}$$

$$Y = 246,520$$

$$N = \frac{(\$2.869 \text{ million})}{246,520} = \$11.64 \text{ per tourist}$$

The direct return on promotion expenditure is difficult to measure but the average tourist expenditure is approximately \$460 per week by Australian and \$709 per week by American tourists. Such a return on promotional investment is very profitable.

Apart from direct involvement in promotion and marketing of tourism, the government also provides incentives through the Tourist and Publicity Department to the private sector. In April 1980 a tourism export grants scheme¹²³ was introduced. The scheme is designed to encourage the private sector to develop new overseas markets and to give greater penetration of existing markets. It provides for grants at the rate of 64 percent¹²⁴ of budgeted qualifying expenditure with the remaining cost being deductible for tax purposes at ordinary rates. This gives a total level of assistance of just over 80 cents in the

¹²³ Report of Tourist and Publicity Department, op.cit., 1981, p.15.

¹²⁴ Ibid, p.15.

dollar¹²⁵. A total of \$99,840 was allocated to eleven approved applicants in the 1980-81 financial year¹²⁶. In 1981 Air New Zealand received \$12.968 million as Export Tax Rebates and for tourism promotion expenditure incentives.

The Tourist and Publicity Department is also an active member of the Pacific Area Travel Association¹²⁷, a major international grouping of national travel organisations, carriers, and travel industry organisations dedicated to the promotion of travel to and within the Pacific region.

Air New Zealand¹²⁸ also carries out sales and promotional activities. In 1980 it spent \$68,484,000 on sales and marketing. This expenditure increased to \$87,090,000 in 1981. This large sum does not all go to promotional and publicity activities for travel and tourism. Most goes to servicing sales offices on the various routes of the airlines, rather than promoting New Zealand as a tourist destination.

¹²⁵ Ibid.

¹²⁶ Ibid.

¹²⁷ Ibid.

¹²⁸ Air New Zealand Limited, Annual Report, 1981, p.13.

Conclusion

From the information and analysis presented in this chapter, one main conclusion arrived at is that similar to the government actions taken in the early 1960's to aid the development of the tourist accommodation sector, the government also became more involved with tourism promotion at that time. One major action was the establishment of the Tourist and Publicity Department, whose main function is to promote tourism development in New Zealand, and to promote travel to, from, and within the country. Apart from this direct promotion of tourism, the government indirectly aids the growth of the industry by providing financial incentives to the private sector to encourage it to take a more active part in tourism promotion in the form of tax deductions.

Increasing government participation in tourism promotion has been and is still largely influenced by increases in visitor arrivals and the need to sustain such increases. The consequences of growth in visitor arrivals have been more foreign exchange earnings and increasing economic significance of tourism.

Government tourism promotion policies have been effective in the past in stimulating growth in visitor arrivals. From 1963 to 1981 total visitors to New Zealand, excluding through passengers, increased from 58,885 to 463,465. Reserve Bank Travel Receipts have also increased from

\$11,225,000 to \$239,112,000 in the same period. Despite these overall increases, there has been a decline in the number of Australian visitors, New Zealand's main tourist market. One main problem identified in the chapter in promoting New Zealand tourism is promotional costs and the amount of funds available from government. This is estimated at 1.2 percent total travel receipts at present. As suggested, current government promotional funds are adequate to service existing activities in the main tourist markets but are not sufficient to enable greater market penetration or expansion.

Another problem area identified is the limited funds available for market research. The \$46,000 voted in 1981 for market research is only adequate to carry out limited research. There is a need for extensive research in New Zealand's main tourist markets. Presently there is no research being done on what activities overseas tourists like to do while in New Zealand, or what age group prefer what type of activity. These are areas that require some in-depth research. The favourable image of New Zealand as a tourist destination should be exploited more through the provision of more promotional funds for market research purposes and for stimulating growth in the volume and rate of visitor arrivals.

CHAPTER 5

THE ROLE AND POLICY REQUIREMENTS OF THE TRANSPORT SECTOR OF THE NEW ZEALAND TOURIST INDUSTRY

A Introduction

The objective of this chapter is to determine the role and function of some of the transport services of the New Zealand tourist industry and the types of policies that govern their operation. The services studied are international and domestic air travel, coach-bus and rental vehicle travel. Rail transport is not included in this study because of the difficulty of obtaining data on tourist use of this means of transport in New Zealand.

The method of research used was to identify the type of tourist transport in terms of service offered and the organisations that offer these services. Through this method, the role and performance of these tourist transport services are analysed and their policy requirements determined. The chapter is divided into the following sections:

- (a) International Air Transport to New Zealand.
- (b) Air New Zealand.
- (c) Domestic Air Transport in New Zealand.
- (d) Road Transport in New Zealand (namely

rental vehicles and coach tours).

(e) Tourism Policies for the Transport Sector.

Air transport is the most important transport service to the New Zealand tourist industry because of the insular nature of the country and its distance from the major tourist markets in Europe, North America and Japan. Thus, the major focus in this chapter is the air transport industry. The tourist road transport component is viewed as an ancillary service sector of the air transport component.

This chapter also examines the many problems that beset the transport sector. These include rising fuel costs, large capital overheads, and a current decline in air travel demand.

3 International Air Passenger Arrivals

The tourist industry, globally and in particular the New Zealand tourist industry, depends largely on the operations of the international airline services. The following table (xiii)¹²⁹ shows visitor arrivals to New Zealand from 1970 to 1981 by mode of travel.

¹²⁹ New Zealand Visitor Statistics, op.cit., 1980-81, p.6 (these figures exclude through passengers).

Table (xiii)Visitor Arrivals by Mode of Travel Year Ended 1970-1981

Year	Sea	Air	Total
1970-71	11,768	179,101	190,860
1971-72	12,186	215,394	227,580
1972-73	10,445	244,199	254,644
1973-74	11,629	306,615	318,244
1974-75	9,806	357,388	816,194
1975-76	8,874	375,864	384,238
1976-77	7,644	372,562	380,222
1977-78	8,000	382,272	390,940
1978-79	4,836	413,908	418,747
1979-80	6,500	438,695	445,195
1980-81	7,676	455,780	463,455

Up to 90 percent of all visitor arrivals to New Zealand came by air. The reason for the dominance of air services transport to New Zealand is obvious. New Zealand, like Australia, is an island state which is fairly isolated in the South Pacific. Before the coming of the jet age, both countries complained about the tyranny of distance they suffered. Sea travel from Europe would take months and it took weeks from America. The jet age reduced this tyranny of distance and now travel time to and from New Zealand by air can be counted in hours instead of weeks or months.

Despite the significant role of air transportation to the

development of the tourist industry, policies that govern the operations of international and domestic airline operators are not always designed to stimulate the development of the tourist industry. Civil aviation policies that restrict landing rights tend to have negative effects on growth in visitor arrivals. The effects of these policies are discussed in the latter part of the chapter (airline policies and trends in international travel have also tended to affect the development of the tourist industry). New Zealand is served by several international airlines. These are:

Air New Zealand Limited
 Qantas Airways Limited
 Pan-American Airways Limited
 Japan Airlines Limited
 Canadian Pacific
 Singapore Airlines Limited
 Union Transport Aérienne
 Continental Airlines Limited
 Air Pacific Limited
 Polynesian Airlines Limited
 Malaysian Airlines Limited

Total revenue passengers on international scheduled services to New Zealand have increased substantially over the last four years. In 1976 total revenue passengers amounted to 619,248¹³⁰. This has increased to 903,442 in

¹³⁰ New Zealand Civil Aviation Statistics, 1976-1980, Ministry of Transport, Wellington, pp 5, 13.

1980. On the in traffic trans-Tasman services revenue passengers have also increased from 444,590 in 1976 to 593,540 in 1980¹³¹. Over 50 percent of in traffic to New Zealand is trans-Tasman.

The most important airline service to and from New Zealand to the tourist industry is Air New Zealand. A detailed analysis of the operations and problems of Air New Zealand is also included in this chapter.

International civil aviation regulations are governed by the recognition of the exclusive sovereignty of states over the air space over their land areas and above their internal and territorial waters. This means that they have the right to prevent aircraft of other nations from flying through their air space and using their airports, unless they have authorised such passage and use. The main reason for this claim is to safeguard national security. This claim has also enabled states to protect their own national airlines from competition by foreign carriers.

Both economic and strategic interests are demonstrated by the fact that governments are prepared to subsidise to a very considerable extent civil aviation and, in the case of New Zealand, the national flag carrier, Air New Zealand is a public-owned company. One consequence of this economic

¹³¹ Ibid.

involvement is a pervasive governmental influence over such matters as the choice of aircraft, routes to be used, frequency of the service, the type of fare regimes to be applied, etc. In New Zealand the *International Air Services Licensing Act No., 17 of 1947*¹³² empowers the Minister of Transport to prescribe in the international air services licence issued to an airline of another country the capacity of the aircraft to be used and the frequency of the service to be observed.

The Minister is also empowered to prescribe the fares to be charges for the carriage of passengers and the charges to be made for the carriage of goods.

Prior to 1977 the member organisations of the International Air Transportation Association (henceforth referred to as IATA) set fares and rates for passengers and cargo through its three traffic conferences. Any action taken by a traffic conference was binding upon each voting member of that conference, but subject to the approval of the aeronautic authorities of the parties involved. In effect, air fare regimes established by IATA are subject to the approval of member organisations' governments.

Between 1977 and 1979, President Carter's open air

¹³² *International Air Services Licensing Act No., 17 of 1947.* Reprinted status of New Zealand with Amendments Incorporated, Volume 7, Government Printer, Wellington, 1981, p 502 (Section 9 of the Act provides for the powers of the Minister in granting the licence and the conditions to be attached to the licence).

competition policy put the traditional IATA fares fixing agreement in jeopardy. The new air policy virtually meant that the United States was no longer going to adhere to the IATA system. Instead, bilateral agreements were favoured. Through bilateral agreements, Australia, Britain and the United States agreed to operate a low air fare system across the Pacific and the Atlantic.

International air transportation plays a significant role in the development of international tourism. Airline companies use several promotional fares to stimulate travel demand. These include group excursions and youth fares. The effects of airfares on the tourist industry are direct for they contribute to influencing the decision of a tourist to visit a particular destination.

Air fares, however, have been on the increase. For example, trans-Tasman fares have increased by 11 percent in the period January 1981 to June 1982¹³³. Air fares across the Pacific have also increased. Auckland to Los Angeles fares increased by approximately 15 percent in the same period¹³⁴. The following table (xiv)¹³⁵ gives examples of air fare regimes for trans-Tasman flights.

¹³³ Qantas Airways Limited, Palmerston North, New Zealand, 30 June 1982.

¹³⁴ Ibid.

¹³⁵ Ibid.

Table (xiv)Trans-Tasman Fares January 1981 and June 1982Return (\$AUS)

Class	Sydney to Auckland, Christchurch and Wellington		Brisbane to Wellington and Christchurch		Melbourne to Christchurch	
	1981	1982	1981	1982	1981	1982
First Class	\$688	\$762	\$778	\$860	\$758	\$836
Business Class	N/A	\$554	-	\$622	-	\$606
Economy	\$432	\$478	\$448	\$540	\$476	\$526
Apex						
1) Peak	\$334	\$370	\$376	\$416	\$370	\$410
2) Shoulder	\$286	\$316	\$320	\$354	\$314	\$348
3) Off-Peak	\$224	\$262	\$356	\$300	\$254	\$294
Group						
Inclusive Tour						
1) Peak	\$303	\$334	\$334	\$382	\$338	\$374
2) Shoulder	\$252	\$280	\$228	\$320	\$280	\$310
3) Off-Peak	\$204	\$236	\$238	\$272	-	\$279

In general, there has been an increase in the trans-Tasman air fares although these are only marginal. Conditions attached to the cheapest rates have also come down. The number of persons required for public group fares has come down from 40 people to 20 and the restrictive conditions (that the traveller under such a package would have to stay in Australia for four days) have been abolished. It is doubtful, however, whether these new fare regimes will benefit the New Zealand tourist industry as much as they would benefit the Australian tourist industry because of the decline in the rate of visitor arrivals from Australia.

Air fares across the Pacific have also increased substantially over the last three years. The following table (xv)¹³⁶ shows air fares from Sydney to San Francisco.

Table (xv)

Air Fares From Sydney-San Francisco
August 1979 and June 1982 (\$AUS)

Class	1979	1982
Normal Economy (one way)	\$720	\$1,170
One Way Excursion Fare	-	\$1,070
Return Advanced Bookings:		
1) Excursion Peak	\$930	\$1,483
2) Shoulder	\$724	\$1,236
3) Off-Peak	\$484	\$ 864
Group Inclusive		
1) Tour Peak	\$808	\$1,470
2) Shoulder	\$722	\$1,234
3) Off-Peak	\$482	\$ 860

The reason given for the increase in fares is the rise in aviation fuel costs. Although such a fare increase is justifiable on the grounds given, one must consider the effects this would have on the New Zealand tourist industry. Travel costs in the South Pacific are amongst the highest in the world. This high cost has been the major drawback

¹³⁶ Ibid.

to the rate of visitor flow in the region. The following table (xvi)¹³⁷ shows some promotional air fares in the trans-Pacific, trans-Tasman and trans-Atlantic routes.

Table (xvi)

Some Promotional Air Fares in the
Trans-Pacific, Trans-Tasman and Trans-Atlantic Routes
June 1981 and June 1982

Sector	Sector Distance	Cheapest Promotional Fare (Excl. Standby) Return Fares		Cents Rate per km	
		1981	1982	1981	1982
Auckland-Nadi	2,158 km	\$NZ 245	4/2	11.3	21.8
Brisbane-Nadi	2,716 km	\$A 318	374	11.7	13.8
Honolulu-Nadi	5,107 km	\$US 290	652	5.6	12.7
Los Angeles-Nadi	9,215 km	\$US 410	882	4.4	9.6
Sydney-Nadi	3,171 km	\$A 268	374	8.4	11.8
Honolulu-Sydney	8,171 km	\$A 454	766	5.5	9.4
Honolulu-Auckland	7,265 km	\$NZ 756	1038	10.4	14.3
Los Angeles-Auckland	11,473 km	\$NZ 903	1204	7.9	10.5
Los Angeles-Sydney	12,279 km	\$US 455	864	3.7	7.0
Auckland-Sydney	1,013 km	\$NZ 187	364	1.8	3.6
New York-London	5,561 km	\$US 215	n.a.	3.9	n.a.

¹³⁷ Ibid.

Despite the significant role of air transportation in the development of the tourist industry, airlines do not always construct their tariffs accordingly. For example, normal scheduled air fares are not designed primarily to aid the growth in visitor arrivals. One main fixed factor that influences any air fare regime is airline operational cost. Operational cost is closely related to the percentage of cabin occupancy. A low cabin occupancy would lead to a low income-providing operation. Another important factor that determines the structuring of an air fare is distance. Destinations that require long distance travel usually cost more in air fares than nearer destinations. Other factors that determine tariff levels include the nature and composition of the clientele which varies from route to route and zone to zone; seasonal demands - people travel more at certain times of the year for climatic reasons. In general, air fares are cheaper in off-seasons than in peak seasons. Finally, competition between airline companies also influences tariff levels. Airline companies may reduce profit margins to a minimum in order to achieve maximum market penetration. This last factor may lead to predatory tariffs with the sole objective of eliminating competition, but inter-governmental agreements provide safeguards against this.

Airline operators, however, are among the major promoters of tourism. The variety of promotional fares is an example of how the airlines promote tourism. Other ways are through publicity in newspapers, magazines and leaflets.

Airline companies also use their vast communication systems to provide flight, hotel, and rental car reservation facilities. They also provide a commission to travel agents booking tourist destinations through the airlines. In effect, the air transportation industry contributes to the effective utilization of tourist resources. ■

The growing interdependence between the tourist industry and the air transportation industry suggests that there should be a closer co-operation if not an integration of activities between the two industries. One area of co-operation is that of air fare structuring. For example, in bilateral air fare agreements meetings between New Zealand and Australia or the United States, the Tourist and Publicity Department should be able to participate in such discussions instead of the Department of Civil Aviation taking the responsibility alone. In other words, the Minister of Transport and the Minister of Tourism should consult each other on matters concerning agreements about bilateral air fare regimes.

C. Air New Zealand

The most important airline service to and from New Zealand is Air New Zealand, the national flag carrier. Total passengers carried by Air New Zealand have increased substantially over the years; from 1,838,897 in 1971 to 3,409,889 in 1980. In 1981 2,241,365 passengers were

carried by the domestic service and 1,047,402 passengers were carried by the international service.

Air New Zealand, however, has suffered some operational problems in the last five years. For example, its net profit declined from \$13,657,000 in 1977 to \$10,641,000 in 1978 and again declined in 1979 to \$7,706,000. In 1980 the airline recorded an operating loss of \$15,938,000 and in 1981 this figure increased to \$43,436,000. The net loss recorded by the airline in 1981 was \$30,587,000¹³⁰.

The major reasons cited by Air New Zealand officials for this unsatisfactory trading performance were increases in total expenditure, which rose from \$274,641,000 in 1977 to \$595,080,000 in 1981¹³¹. The cost of fuel increased by 54 percent over the 1980 figure to \$50,600,000 in 1981. Air New Zealand's fuel bill alone accounted for 25 percent of the airline's total operating expenditure and represented the largest proportionate increase of the major expenditure items¹³².

The problems encountered by Air New Zealand since 1980 were not confined to it alone. Air New Zealand's plight is just one example of a troubled international air industry. The

¹³⁰ Ibid.

¹³¹ Ibid.

¹³² Ibid.

year 1980 was recorded as the worst for the industry in economic terms. Net financial results of IATA traffic after interest and tax declined from a profit of \$US15 million in 1978 to a loss of \$US1100 million in 1980¹⁴¹. Scheduled airlines of the International Civil Aviation Organization (hereafter ICAO) member states also suffered their worst financial year in 1980. Operating revenues were estimated to have increased by 24 percent to \$US87,500 million, but operating costs increased by 26 percent to \$88,000 million in the same year¹⁴².

The following table (xvii)¹⁴³ is a summary of the financial results of some major airlines.

The airlines servicing the North Atlantic routes also recorded unfavourable financial results. British Airways recorded a pre-tax loss of £141 million¹⁴⁴.

There are several factors responsible for the decline in financial results of the airline industry. One major factor is the current world economic recession¹⁴⁵. This has led to reduced demand globally, which is reflected in

¹⁴¹ Knut Hamnerkjold, The State of the Air Transportation Industry, prepared for the IATA 37th Annual General Meeting, Cannes, October 26-29, 1971, p.2.

¹⁴² Ibid, p 5.

¹⁴³ Financial Data Commercial Air Carriers, Canada, 1980.

¹⁴⁴ British Airways Annual Report and Accounts, 1980-81, p.4.

¹⁴⁵ Qantas Airways Limited, Annual Report and Financial Statements for the year ended 31 March 1981, p.3.

Table (xvii)

Financial Results of Some Major
Airlines Servicing the Pacific 1980 and 1981

Airlines	Operating Revenue	Operating Cost	Profit/(Loss)
Qantas	\$1,023,721,000 (1981)	\$1,064,742,000	(\$41,021,000)
Continental Airlines (Pacific)	\$ 83,213,579 (1980)	\$ 95,023,971	(\$11,810,392)
Pan American (Pacific)	\$ 758,111,000 (1980)	\$ 775,893,000	(\$17,782,000)
Air New Zealand	\$ 557,229,000 (1981)	\$ 600,858,000	(\$43,629,000)

the decline in average passenger load factors. For example, international scheduled services' passenger load factor declined from 63 percent in 1979 to 61 percent in 1980¹⁴⁶. IATA carriers' passenger load factor in 1980 was 60.8 percent, which was a decline of 2.4 percent from the previous year¹⁴⁷.

The growth in international services has also been minimal. It was forecasted in 1980 that passenger traffic would grow by 4.5 percent¹⁴⁸. However, this was never achieved.

¹⁴⁶ Knut Hammerskjold, *op.cit.*, 1981, pp.6-7.

¹⁴⁷ *Ibid*, p.7.

¹⁴⁸ *Ibid*, p.2.

IATA international scheduled carriers carried 117 million passengers. This was a growth of 2.0 percent over the previous year. Total world airlines (IATA - non IATA airlines) carried 161 million passengers, which was merely a 1.9 percent growth over the previous year¹⁴⁹. For some airlines the passenger numbers carried on the international scheduled services actually declined. Passenger numbers carried by Qantas declined from 1,974,894 in 1980 to 1,887,451 in 1981, a decline of -4.4 percent¹⁵⁰. Similarly, total international passengers carried by British Airways declined by -4 percent in 1981¹⁵¹.

Another factor that has severely affected the financial results of the airline industry is rising operational costs. For example, the operating costs incurred by IATA increased by 25 percent in 1980¹⁵². Similarly, ICAO member state airlines' operating costs increased by 26 percent in the same year¹⁵³. In 1981 Air New Zealand's operating expenditure increased by 27 percent¹⁵⁴. For the above-mentioned airlines the percentage increases in operating costs were higher than the percentage increases in operating revenue. For IATA carriers, operating revenues increased by

¹⁴⁹ Ibid, p.7.

¹⁵⁰ Qantas Airways, Annual Report, op.cit., 1981, p.1.

¹⁵¹ British Airways, Annual Report, op.cit., 1980-81, p.22.

¹⁵² Knut Hammerskjold, op.cit., 1981, pp.5-6.

¹⁵³ Ibid, pp.6-7.

¹⁵⁴ Air New Zealand Limited, Annual Report, op.cit., 1981, p.9.

23 percent and for ICAO airline member states, operating revenues were estimated to have increased by 24 percent in 1980¹⁵⁵.

The major contributing factor in operating costs is the fuel bill. Modern commercial aircraft are totally dependent upon oil distillates for propulsion. Unlike most other industries there is, at the moment, no practical alternative to the use of liquid petroleum products for aircraft fuel. The average fuel price, however, has increased dramatically in the last ten years. In the period 1973-74 the average aviation fuel price was €US 47.5 per gallon and in the 1980-81 period this rose to €US 83.5¹⁵⁶. Fuel costs, as a percentage of total operating costs, for world international scheduled carriers have increased from 11.0 percent in the period 1972-73 to 25 percent in 1979-80¹⁵⁷.

In order to recover some of the mounting costs, airline companies have increased their normal air fares by over 20 percent in the last two years¹⁵⁸. The New Zealand government has approved air fare increases for international services. Even off-season promotion fares have increased.

¹⁵⁵ Knut Hammerskjold, op.cit., 1981, pp.6-7.

¹⁵⁶ Aviation Fuel Costs and Conservation, 1980, IATA, Geneva, January 1980, p.13.

¹⁵⁷ Ibid, p.21.

¹⁵⁸ Knut Hammerskjold, op.cit., 1981, p.19.

One problem that besets the international civil aviation industry is the different types of government civil aviation policies and regulations affecting air fares and aircraft capacity. The deregulation policies adopted in the United States under the Carter Administration created havoc in the airline industry. Competitive cut-price fares and increased capacity, especially in the Pacific rim, led to further unprofitability during 1981.

In New Zealand air fares are controlled by the government. The current price and wage freeze policy¹⁵⁹ of the National Party Government does not apply to off-shore operations. This was one of the justifications for the June 1982 air fare increases which coincided with the announcement of the price-freeze regulations. Air New Zealand is also a government-owned airline and as such it is restricted by government through air fare regulations.

Increases in air fares are inevitable due to rising costs of airline operations. Current market conditions globally, however, show a decline in international traffic. Most airlines, including Air New Zealand, have experienced this decline in growth trends in recent years. But when looking at the role of Air New Zealand in the development of tourism in New Zealand, there are many factors that must

¹⁵⁹ This policy was introduced in June 1982 and will be in operation until June 1983. It is a 12 month "Price and Wage Freeze" Policy.

be considered objectively. Air New Zealand is a substantial foreign exchange earner. Its foreign exchange earnings have increased from \$34 million in 1973 to \$96 million in 1977, that is, an increase of over 200 percent. In 1980 the company earned over \$NZ117,000,000 in foreign exchange funds. In 1981 this increased to \$126,000,000¹⁶⁰.

Air New Zealand carries out promotion campaigns in New Zealand's prime markets. In 1981 the airline spent approximately \$86,890,000 in sales and marketing¹⁶¹, placed mainly in the United States, Canada, United Kingdom, Europe, Australia, South East Asia and Japan. This represented 14.6 percent of the company's total expenditure¹⁶².

The level of activities deployed by Air New Zealand on the major international routes linking New Zealand to its major overseas tourist markets has placed the company in a crucial position as regards the fostering and improvement of visitor flow to New Zealand. In this way, the national flag carrier services national tourism in a manner unequalled by any other interest.

¹⁶⁰ Air New Zealand Limited, Annual Report, op.cit., 1981, p.6. These figures are not adjusted to the average inflation rate of 15 percent per annum since 1980.

¹⁶¹ Ibid, p.13.

¹⁶² Ibid, p.26.

D Domestic Air Transport

The role of the domestic air services in the tourist industry must also be recognised when formulating policies for the transport sector of the tourist industry. In 1976 the domestic scheduled air services in New Zealand carried 2,293 million passengers. This increased to 2,477 million in 1980¹⁶³. The use of non-scheduled domestic air services had also increased up until 1977. For example, the use of these services increased from 151,045 passengers in 1976 to 213,880 in 1977. There has, however, been a decline in the use of these services since 1977. Passengers carried by non-scheduled domestic air services have continually declined from 213,880 passengers in 1977 to 173,207 in 1980. This fall is largely attributed to increasing operation costs as a consequence of rising fuel costs and a decline in the rate of visitor arrivals during the period 1977 to 1980.

The following table (xviii)¹⁶⁴ shows a breakdown of the number of passengers carried by non-scheduled domestic air services. The non-scheduled domestic services, particularly zero clubs, are popular because of the scenic and hunting flights that they offer. According to a survey, this package attracts approximately 16 percent of Australian

¹⁶³ New Zealand Civil Aviation Statistics, op.cit., 1976-1980, pp.28, 30.

¹⁶⁴ Ibid, p.30.

Table (xviii)

Domestic Services Including Taxi, Charter
And Scenic Flights - Passengers Carried From 1976 - 1980
 (Excludes Scheduled Passenger Services)

	1976	1977	1978	1979	1980
Airline Charters	8,563	16,750	16,259	13,151	4,535
Aero Clubs	29,682	39,858	30,469	19,534	13,069
Non-Scheduled	44,488	57,348	88,311	110,880	90,296
Other Operators	21,228	26,519	25,813	18,830	13,074
TOTAL	147,045	213,880	208,698	209,620	173,307

visitors coming to New Zealand¹⁶⁵. It is also estimated that over 70 percent of overseas visitors fly on internal services while in New Zealand. The estimated foreign exchange earnings of this sector, that is, domestic air services, are approximately \$5.6 million per annum.

E Road Transport

The two major road transport services which cater mainly for overseas tourist in New Zealand are the rental vehicle

¹⁶⁵ Australian Holiday/Vacation Visitors to New Zealand: A Study of Motivating Information, Attitudes and Behaviour, September 1975-March 1978. Tourist and Publicity Department, Wellington, p.41.

services and the coach tour services. Each service is dealt with below to highlight its respective role and importance.

1) The Rental Vehicle Service

Since 1970 the number of rental vehicles and the amount of capital investment in this sector has increased substantially, as shown in the following table (xix)¹⁶⁶.

Table xix)

Rental Vehicle Capital Investment
and Revenue for the Years Ended 31 March 1970-1982

Year	Rental Vehicles	Total Capital Investment (\$000)	Revenue (\$000)
1970	3,810	7,730	6,600
1971	4,234	9,340	9,500
1972	4,519	10,600	9,800
1973	4,810	11,000	13,000
1974	5,095	18,000	15,000
1975	5,574	24,000	21,000
1976	5,648	26,000	22,000
1977	6,174	33,000	23,000
1978	4,785	n.a.	n.a.
1979	4,910	n.a.	n.a.
1980	5,649	n.a.	n.a.
1981	5,649	n.a.	n.a.
1982	n.a.	n.a.	n.a.

¹⁶⁶ Transport Statistics, op.cit., 1977. (n.a. = not available)

The foreign exchange earnings of this sector are also substantial. In 1977 the sector generated approximately \$9 million in foreign exchange earnings. Total earnings of this sector then were estimated at \$22 million. In effect, 41 percent of the sector's earnings were in the form of foreign exchange¹⁶⁷.

2) Coach Tour Service

The coach tour service in New Zealand has experienced a tremendous growth since 1970 and today this service is amongst the most important transport service in the New Zealand tourist industry, second only to the air transport sector. It is estimated that the total overseas retail sales of New Zealand tours in \$60 million per annum (excluding air travel). It is also estimated that 25 percent of the average price of a tour is coach travel. In effect, this sector generates approximately \$15 million in overseas earnings in one year¹⁶⁸.

It is estimated that 36 new coaches are purchased every year to maintain fleet replacements. The average cost of a new tour coach is \$90,000, of which \$40,000 is in the form of overseas content. In order to maintain the level of overseas earnings of \$15 million, \$1.44 million will be

¹⁶⁷ NEW ZEALAND DEPARTMENT OF STATISTICS; REPORT SERIES, M15-2; P33

¹⁶⁸ Ibid.

required to maintain new coach replacements¹⁶⁹.

The following table (xx)¹⁷⁰ shows the growth of the coach tour service sector since 1970.

Table (xx)

Private and Company Operated Coach Services
in New Zealand for the Years Ended 31 March 1970-1982

Year	Number of Vehicles	Passengers Carried No (000)	Total Assets (\$000)	Total Revenue (\$000)
1970	992	30,038	7,890	8,238
1971	1,135	26,154	9,283	9,273
1972	961	26,890	5,080	7,380
1973	658	37,775	7,016	7,540
1974	796	30,988	9,528	10,080
1975	936	n.a.	12,399	13,261
1976	1,198	n.a.	19,643	19,367
1977	n.a.	n.a.	n.a.	n.a.
1978	n.a.	n.a.	n.a.	n.a.
1979	n.a.	n.a.	n.a.	n.a.
1980	n.a.	n.a.	n.a.	n.a.
1981	n.a.	n.a.	n.a.	n.a.
1982	n.a.	n.a.	n.a.	n.a.

(These figures include tourist and non-tourist services)

¹⁶⁹ Ibid.

¹⁷⁰ Ibid.

F Tourism Policies for the Transport Sector

Yet all these problems and policies are minor in comparison to those related to the foundations, not only of the transport sector but also of every other aspect of the tourist industry: fuel. There is a shortage in the present supply which is due to a decline in oil production in Iran and Iraq. This is further accentuated by increasing oil prices instituted by the Opec member states; by Iran which is now selling oil on the spot market to the highest bidders; and by the impact of the war between Iran and Iraq. This means that New Zealand will have to pay more for oil supplied. The oil crisis became so serious in 1979 in New Zealand that Pan American Airways had to ship 7.3 million litres of aviation fuel by sea to New Zealand in order to beat the country's oil drought. This consignment was enough to keep the airline's planes flying to Honolulu and the United States' west coast for ten months. The airline bought the fuel on the open market at an estimated price of \$2 million, which is nearly twice the official Opec price¹⁷¹.

Air New Zealand has not yet announced any contingency plan to cope with the fuel crisis. It has, however, cut down on its services. It no longer operates the Wellington to Sydney shuttle. In order to cut down on its operating costs the airline has also decided to declare 1,500 employees

¹⁷¹ Pan American Airways Limited, News Release, Thursday 2 August 1979.

redundant. Between 1980 and 1982 Air New Zealand increased its air fares by 30 percent to cover increases in fuel costs and other operating expenses.

The increasing fuel cost has also affected the operation of the domestic air services. The scheduled domestic services have also increased fares to cover mounting fuel costs. Aero clubs and other operators catering for scenic flights are currently faced with a shortage of aviation fuel. Some of them are already reducing the services they offer because of the lack of fuel. These smaller operators have been instructed by government to cut back to 90 percent of their normal fuel use¹⁷².

Presently the New Zealand government is seriously considering rationing options in case the oil supply position deteriorates further, although such an option is considered as a last resort by the government¹⁷³.

The rental vehicle industry, however, is concerned about the implications of rationing. The N.Z. Rental Vehicle Association has stated that it will oppose any attempt to impose petrol rationing on its members¹⁷⁴. Rationing, if applied to this service, will not only slash the rental

¹⁷² The Press, Monday 30 July 1979.

¹⁷³ The Dominion, Monday 30 July 1979.

¹⁷⁴ The Dominion, Tuesday 31 July 1979.

vehicle industry's \$12 million annual contribution to the economy, but would also discourage overseas tourists from travelling to New Zealand. If this happens, all sectors serving the tourist industry such as hotels, rental vehicles and indeed, the transport sector, will lose substantial revenue.

Already some sectors of the tourist industry are experiencing a drop in profit margin. The directors of Vacation Hotels Limited have announced that their company has entered a depressed phase. Tax paid profit of the company fell from \$587,030 to \$504,662 in the six months from November 1978 to April 1979, which includes the peak period of the tourist season in New Zealand. This decline is largely due to the reduced flow of tourists to New Zealand as a result of the cheaper air fares between Australia and the United States which diverted large groups of Australian tourists away from New Zealand¹⁷⁵.

As political instability continues in the Middle East, oil supplies will continue to decline and consequently cause further price rises in fuel. High fuel costs affect every aspect of the national economy. In general, they force costs to increase and in this case, in all sectors of the tourist industry. High costs cause high prices and under current competitive market conditions in international

¹⁷⁵ Vacation Hotels Limited, Company News Release.

tourism it is a disadvantage to offer a highly priced tourist product.

The geo-political realities in the Middle East are making countries like New Zealand, which depend largely upon oil supplies from this unstable region, start looking for alternative sources of fuel. Already the New Zealand government has released energy proposals that could make New Zealand 50 percent self-sufficient in motor fuels and oil products by 1985¹⁷⁶. This proposal includes the conversion of 150,000 cars to run on compressed natural gas. This will mean that the whole fleet of rental cars, which numbers approximately 7,000, can be converted. Such a conversion would substitute about 15 percent of petrol requirements of motor vehicles. The energy plan also includes proposals for the distribution of liquified natural gas throughout New Zealand and this will substitute for a further 10 percent of motor spirits by 1985. An investment of approximately \$3,900 million is required to carry out this energy plan¹⁷⁷.

New Zealand is endowed with energy resources. The Kapuni gas field now yields 11,000 tonnes of gas annually but is capable of producing 35,000 tonnes. Coal deposits such as the Southland lignites can also be converted to liquid

¹⁷⁶ The Press, Monday 30 July 1979.

¹⁷⁷ Ibid.

fuels¹⁷⁸. If the government energy programme is carried out, New Zealand should be able to partially solve its fuel supply problems. Already government has given the lead by providing incentives in the form of 100 percent tax deductions in the first year for business vehicles conversion and installation of compressed natural gas and liquified petroleum gas kits¹⁷⁹. This programme needs the support of all those industries affected by the current fuel crisis, especially the transport sector of the tourist industry. Tourism is an industry which is basically concerned with the movement of people. Without means to move tourists, the industry will collapse.

Conclusion

The evidence and facts in this chapter highlight the dependence of the New Zealand industry upon air transportation. Over 90 percent of tourist arrivals in the country come by air and over 70 percent of overseas visitors travel by air while in the country.



The airline companies, particularly the national airline, Air New Zealand, actively support the development of the tourist industry through extensive travel promotion, both

¹⁷⁸ Ibid.

¹⁷⁹ Taranaki Herald, Wednesday 27 June 1979.

internally and externally. Airline companies also aid the development of the tourist industry through the introduction of a variety of promotional fares. Most of the promotional fares are off-peak, shoulder and advanced purchase fares. These promotional fares contribute in reducing the effects of seasonality in New Zealand.

The national flag carrier, Air New Zealand, also contributes directly toward the development of the tourist industry. Its sales and marketing expenditure represent 14.6 percent of the company's total expenditure.

The airline industry, however, is facing several problems, such as increasing operational costs and decreasing revenue passengers. In both the 1980 and 1981 financial years Air New Zealand recorded an operating loss of \$15,938 million and \$43,436 respectively. Because of these financial losses, Air New Zealand is cutting down on its international operations as well as its staff level.

The domestic air services are also a very important component in the transport sector of the tourist industry. In 1980 the scheduled domestic air services carried 2.477 million passengers. Also, over 70 percent of tourists in New Zealand use the domestic air services.

Non-scheduled domestic services are also popular among tourists. There has been, however, a decline in the number of passengers using these services from 213,880 in 1977 to

173,207 in 1980. This decline in passenger numbers has occurred at a time of rises in operating costs, particularly fuel costs.

The two most important road transport services for tourists in New Zealand are coach and rental. In 1977 rental vehicles generated approximately \$9 million in foreign exchange earnings. Total earnings for the sector were estimated at over \$23 million, of which 40 percent was in the form of foreign exchange. The coach tour service has also grown substantially since 1970. This service is among the most important, second only to the air transport sector. It is estimated that the total overseas retail sales of New Zealand tours is \$60 million per annum (excluding air travel). Approximately 25 percent of the average price of a tour is for coach travel.

The most pressing problem facing the transport sector of the tourist industry is rising fuel prices. This has caused increases in operation costs of all transport services as well as other services within the tourist industry. These costs consequently push prices up. Such a trend inhibits the growth of the industry in that it has the effect of reducing tourist patronage of these services. It is necessary, therefore, that government fuel policies are directed to aid the transport services. This has already been established in New Zealand. The government subsidises the conversion of oil powered commercial vehicles into compressed natural gas powered vehicles.

The coach and rental vehicle services, however, have yet to respond positively toward this government policy. For the aviation sector no alternative fuel is yet available. If the visitor industry is to continue to grow the airline industry must recover from the current economic downturn.

CHAPTER 6

NATIONAL PARKS AND RESERVES MANAGEMENT POLICIES AND TOURISM DEVELOPMENT IN NEW ZEALAND

A Introduction

The object of this chapter is to establish the types of relationships between national parks management policies and tourism development in New Zealand. In the definition given for tourism development, the effective utilisation of the physical environmental resources has been cited as an important aspect of the development policy objective. The effective utilisation of such environmental resources requires the establishment of adequate administrative and management structures and policies functional to the aims and objectives of tourism development. It is with this view that national parks management, administration and policies are examined and evaluated in terms of their functionality to tourism development in New Zealand.

The method of research used is based on the identification of the organisational system of national parks administration in New Zealand and an examination of the past and present policies that govern its operations. The method of research also includes a survey of national parks resources and facilities in New Zealand and the extent of visitor use of these resources and facilities.

The research findings illustrate that the current policies governing national parks administration are not effectively aiding the development of the tourist industry in New Zealand because national parks management policies tend to inhibit the development of some of the activities of the tourist industry in the use of national park resources. The research findings also show that national parks in New Zealand do not play an economic role and are not intended to do so for the industry.

Yet the effective utilisation of the physical environmental resources requires the development and commercialisation of these resources as part of the tourist product of New Zealand. This chapter suggests methods through which national park resources can be more effectively utilised to aid the development of the tourist industry in harmony with national parks management objectives. The first section deals with the concept of national parks and reserves; the second section deals with the evolution of national parks and reserves; and the third section provides an integrated approach for environmental land use planning and tourism development.

B Concept of National Parks

National parks are normally large areas of land and water resources set aside by state legislation for the preservation, conservation, and protection of the natural

environment; its native habitat, geological features, and water resources. Another dominant principle governing national park legislation is to enable people to enjoy the recreational, educational, and leisure resources contained within national parks. These resources may also include mineral resources, hydro-electric power resources, and forest and grassland resources. These economic resources give rise to several groups being interested in national park management and development policies. These interest groups can be found both in the public and private sector and can generally be categorized into environmental conservationists and developers.

Environmental conservationists are mainly interested in the protection of the bio-physical features of national parks against environmentally destructive human activities. Their philosophy is normally based on a genuine desire to preserve the natural environment as part of the cultural heritage of man. The present opposition against any type of land use for development purposes within national parks and other areas they consider worthy of preservation has caused many to regard conservationists as anti-developers.

The developers that are identified as having stakes in national park resource policies are the mining industry, the power and energy industry, the tourist industry, the forest industry and the agricultural industry. The mining industry is interested in mineral prospecting and mining within national parks; the power and energy industry is

interested in utilizing national park water resources for hydro-electric power; the tourist industry is interested in the development of leisure and recreational resources; the forestry industry is interested in the commercial exploitation of timber within national parks; and the agricultural industry is mainly interested in having access to suitable grazing lands within national parks.

The conflicting interest between conservationists and developers in New Zealand has now reached a point at which both sides regard each other as arch-enemies. The arguments from both sides, despite their merits, are usually too clouded with emotionalism and lack of proper dialogue to reach a common ground. This is particularly so between conservationists and tourism developers in New Zealand, where conservationists regard tourism developers as selfish, profit-motivated developers with little regard for conservation values, and where tourism developers regard conservationists as a privileged minority who want to monopolise the scenic grandeur of national parks and to deprive others access to these attractions.

The situation of conflict between conservationists and tourism developers is unfortunate since these two interest groups, more than any among the list of developers mentioned, can find a common ground with regard to national park management and development policies, Tourism, and

and the natural environment can, and do co-exist¹⁸⁰. In this type of relationship, tourism activities can be restricted by regulations to areas in less sensitive environments, where severe and irreparable damage cannot be done to the natural environment. In this regard, management policies are directed to safeguard the environment against the potential danger and threat of tourism. Presently, this is the emphasis in New Zealand national park policies with regard to tourism activities. Co-existence, however, is only possible when the two interested parties establish relatively little contact and when neither tourism nor conservation is well developed in an area, or because administrative barriers do not provide means for contact. This situation of co-existence rarely remains static, particularly as tourism activities increase and result either in conflict or mutual inter-relationship, or both¹⁸¹.

Tourism activities may conflict with conservation values. This conflict may be reflected in the establishment of tourism infra-structure which is incompatible with the scenic value of the natural environment. Whereas certain tourism accommodation types such as multi-storey skyscrapers may be suitable for inner city areas, such architectural styles are normally regarded as incompatible

¹⁸⁰ P H C Lucas, Environmental Impact of Tourism, The Land-Sea Interface, Department of Lands and Survey, Wellington, 1977, p. 4.

¹⁸¹ Ibid.

with the serene nature of national park environments. In New Zealand, policy regarding tourist accommodation style in national parks advocates the use of designs that blend with the natural environment¹⁸².

The volume of visitors to, and visitor activities in, national parks may also conflict with conservation values. This conflict is mainly reflected in the park's capacity to sustain a high or low volume of visitor levels and activities. Visitor volume is determined by park space capacity to sustain a specific number of visitors at a time and the specifications of such areas and what level of visitor numbers and types of activities. In this regard, sensitive park areas which are easily damaged by visitor activities should be designated as protected areas and visitor activities restricted to those that would cause minimum repairable damage. Such selection should also determine the type of tourist accommodation, type of access, such as road, tracks, or walkways, and the type of leisure activities or sports activities. If it is found desirable to keep out visitor activities in such sensitive areas,

¹⁸² Environmental Impact Report - Development of Facilities Area, Hore Bay, Lake Waikaremoana, Urewera National Park Board, and Tourist Hotel Corporation, October 1975, p.6.

Figure 5a

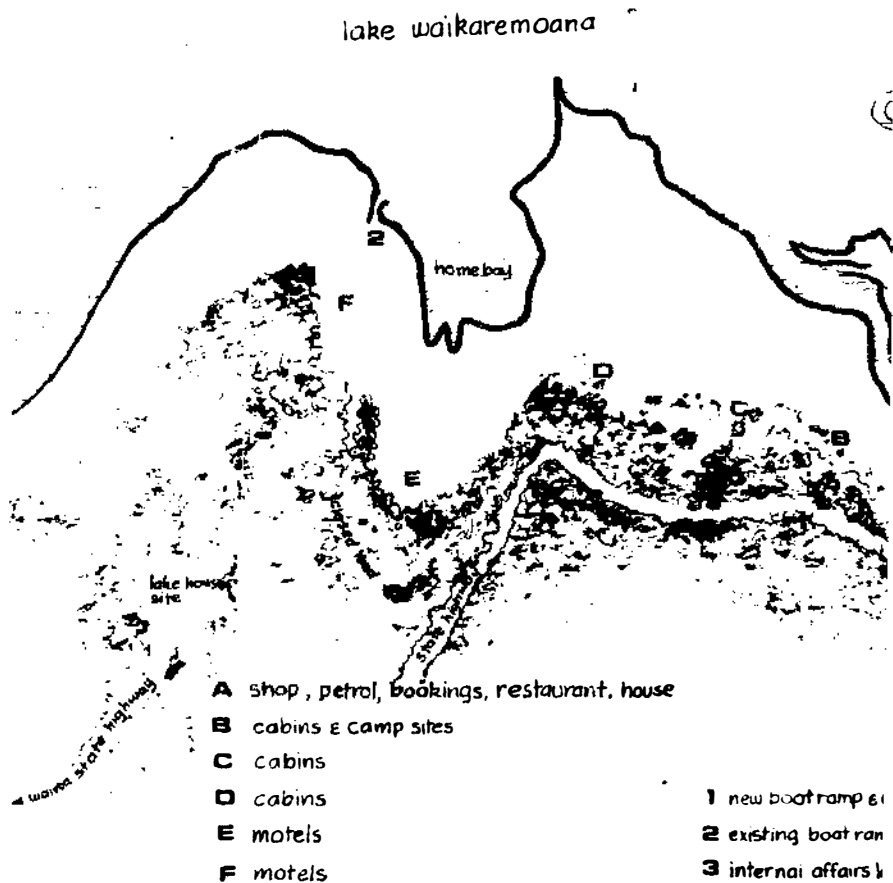
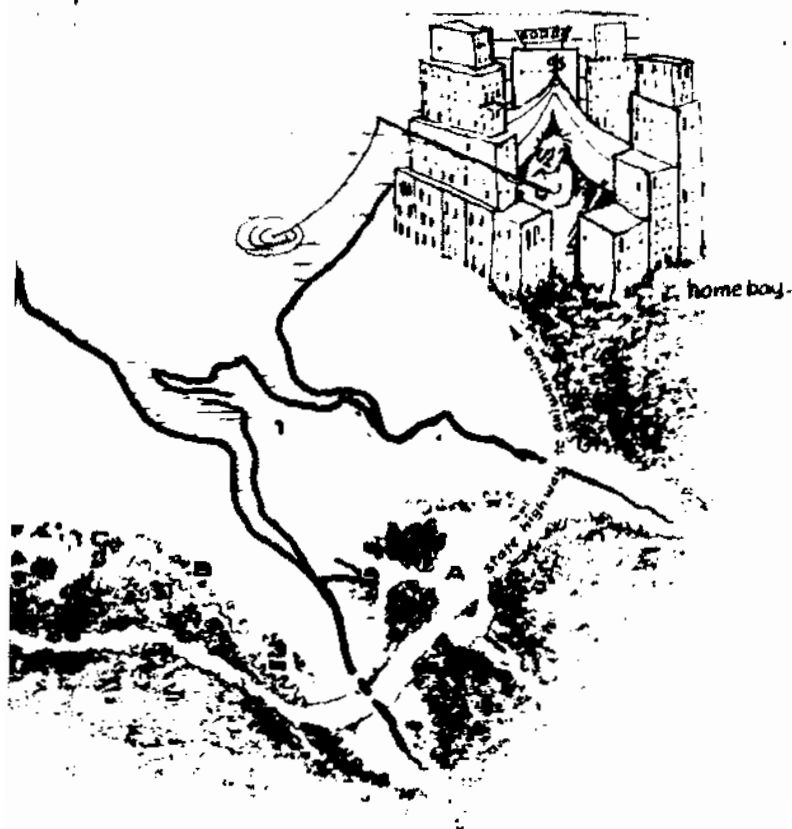


Figure 5a



- 1 new boatramp & car park
- 2 existing boatramp
- 3 internal affairs laboratory

redevelopment plan .

accommodation. 200 people + staff can be accommodated easily without high rise buildings as illustrated - maximum development should not exceed 400 + limited camping & caravans.

sewerage. to cater for this redevelopment a thorough investigation will be necessary. therefore stage development will have to be considered so that at any part especially B and F can proceed with a limited scheme immediately and then link up with the final scheme within the time of the total development.

materials. concrete masonry - timber framing - timber sheathing.
galvanised iron & concrete masonry tiled roofs.

roading. the existing road shall be closed at main highway & shall be used for servicing high cost motels E.

- the new access road including to A and I is on parkland land and the access loop off same and shall be executed by the MAW - including culvert & road to B and 2
- roads & car parks to C, D, E, F shall be part of the development.

buildings all existing cabins, ablutions, cookhouse, shop etc. shall be demolished after replacements have been built

new buildings

stage 1 - C this will allow the existing complex to operate as is

stage 2 - D important that new access road is operating on completion of D

stage 3 - F cabins demolished first + ablutions.

stage 4 - E this area can operate as is until E begins

shop & house A this facility will be necessary as soon as the existing shop & petrol pump are demolished

FIGURE





July 1973

- 1 public boat ramp & car park by national park board
- 2 existing boat ramp
- 3 Internal Affairs Lab
- 4 existing lake house buildings removed.

- A shop & house by the c. or concessionaire - tearoom - petrol - park bd. land
 B limited camping or cabins ablutions etc
 C cabins - low cost - common ablutions & canteen & dormitory accommodation
 D control, staff, manager, house & service
 E motels - high cost - restaurant - serviced from existing road down to Home Bay
 F motels - medium cost - some self contained
 others shore toilets

this should be stated and the area declared a restricted or prohibited area.

Another type of conflict between tourism and environmental land use relates to non-tourism activities within national parks, such as forest logging, mining activities, and hydro-electric power development activities. Mining activities, in particular, tend to do irreparable damage to landscape surfaces with the resulting effect of creating unsightly land scars. Forest logging destroys the natural flora and fauna. The former is replaceable through reafforestation programmes which take long periods of time to return the vegetation to its normal scenic level, and the latter, that is the fauna, is irreplaceable.

Hydro-electric power development is associated with flooding of areas that contain wildlife communities and in this respect is regarded as destructive. It also appears to be incompatible with natural landscape, the beauty of which depends on the absence of major human industry activities, and also incompatible with tourism activities for the same reason.

It is in these incompatible industrial and mining land use activities that tourism developers and conservationists can find a common ground to work out mutual policies that will safeguard their interests against these destructive threats to national park resources. A common policy approach towards national parks resource management and development

by conservationists and tourism developers should be focused on the mutual or symbiotic relationship that could exist between tourism and environmental conservation.

Tourism promotion of national park resources and infra-structural development by the tourist industry within parks make park resources more accessible to the public, for whose satisfaction parks are created. Tourism also promotes educational visits to national parks and income earned from tourism activities in parks contributes to the parks' financial and economic importance. Through such income, park maintenance and management can be financed more readily.

In order to achieve a symbiotic and mutually beneficial relationship between tourism and national park development, the tourist industry must avoid over-development and uncontrolled tourist activities in park areas¹⁰³. It is this view that guided the development of national park policies in New Zealand.

¹⁰³ P H C Lucas, 'Environmental Impact of Tourism', op.cit. 1977, pp.4-5.

C The Evolution of National Parks in New Zealand

In 1884, Te Heuheu Tikuno, the elder chief of the Ngati Tuwharetoa tribe, gave Tongariro and Ruapehu as a gift to the Crown to be used for the enjoyment and leisure of Europeans and Maoris¹⁸⁴. Very little was done to this valuable gift until 1891 when Laurence Curran, a district surveyor, was assigned to make a topographical survey of the Tongariro Mountains. In a scenic description of the area Laurence stated¹⁸⁵:

All around, the eye wanders over vast fields and ridges of rugged lava, illustrations of mighty effects of volcanic actions spreading over time, far back to comparatively recent dates, and forming a scene which, of its kinds, is probably not surpassed, it is unequalled anywhere in the world...I scarcely think there is in nature a scene more lovely than that to be viewed from the summit of Tongariro.

As a result of the 1891 survey, an Act of Parliament was passed in 1894 to establish the Tongariro National Park, being the first national park in New Zealand¹⁸⁶. In 1907

¹⁸⁴ Report of the Tongariro National Park Board, June 1908, pp.4-5.

¹⁸⁵ Report on the Topographical Survey of the Tongariro Mountains, Appendix to the Journal of the House of Representatives, Session II, Volume I, 1891, No.3, pp.37-38.

¹⁸⁶ Report of the Tongariro National Park Board, op.cit., June 1908, pp.4-5.

the park was resurveyed and 63,300 acres of land was set apart as the national park. The importance of the tourism potential of the park resources was a strong motivating factor for the establishment of the park. A Board of Trustees¹⁸⁷ was appointed by the Governor, composed of the Under-Secretary of Lands, General Manager of the Department of Tourist and Health Resorts, Commissioner of Lands for the Wellington District, Minister of Lands, the Surveyor General, the Director of Geological Surveys, and Te Heuheu Tikuno, the younger chief of the Ngati Tuwharetoa tribe.

In order to protect and conserve the tourism potential of the park resources, a bill was introduced in Parliament in 1908 which proposed an extension of the park area to include all areas with special plants associated with the region and to exclude from the area all suitable land for farming and forest containing milling timber. The bill also contained clauses for the protection of birdlife associated with the flora. Grazing and logging activities were to be excluded from the park area¹⁸⁸.

In 1909 the completion of the main trunk railway in the North Island brought Tongariro within easy reach of visitors. By this time accommodation within the park consisted of two rough huts¹⁸⁹.

¹⁸⁷ Ibid, p.5.

¹⁸⁸ Appendix to the Journal of the House of Representatives, Volume IV, Session II, 1909, p.12.

¹⁸⁹ Ibid.

During the same period, when measures were being taken to establish the Tongariro National Park, other scenic areas were also gaining attention as potential areas for the establishment of national parks. In 1903, for example, proposals were made for the reservation of the 'Sounds' district in the Southland region, between Yates Point to Puysegur Point, for tourist or scenic purposes^{19 0}. The submission, which was made for the establishment of a national park in the 'Sounds' district, considered that the area was excessively rugged and unfit for pastoral purposes, owing to its high altitude and inaccessibility, but attractive for tourism purposes^{19 1}.

In 1922 the *Tongariro National Park Act, No., 31* ^{19 2} was passed:

to authorise the setting apart of certain lands, including Mount Tongariro, Ngauruhoe and Ruapehu, and lands adjacent thereof, as a national park, and to provide for the control and management thereof.

The Act provided for the appointment of a park warden,

^{19 0} Appendix to the Journal of the House of Representatives, Volume I, 1903, pp.66-67.

^{19 1} Ibid.

^{19 2} *Tongariro National Park Act, No., 31, 1922, New Zealand Statutes, 1922, pp.105-109.*

secretary, treasurer, ranger, and other officers as may be deemed necessary, and subject to the approval of the Minister of Lands. This Act provided the model for the management, development and control of New Zealand national parks. Section 12 (1) empowered the Park Board to set apart leasing areas within the park areas for mining, construction of tramways, and in-roads, but subject to the approval of the Minister of Lands and the consent of the Governor General. Section 20 further empowered the Park Board to provide accommodation for the tourist traffic such as huts, hostels and accommodation houses. The Park Board was given over-riding authority over local authority bodies in matters concerned with road or track construction over or through the park, except on highway construction through the park. Funds for the management of the park were provided from government appropriation and fees charged for the use of the park facilities. Protection and control clauses were also provided by the Act, Section 15 (a) provided for a fine of \$50 for the destruction and wilful damage of plant life, animal, or park property.

In 1927 an Amendment Act, No 46 of the principal act, empowered the Tongariro Park Board to make by-laws to exclude the public from any specified part or parts of the park, to prescribe the conditions of access to the park,

¹⁵¹ Appendix to the Journal of the House of Representatives, Volume, 1930.

and to fix charges for admission of persons, horses, or vehicles.

The 1930's saw the creation of more parks and scenic reserves. By 1930, seven national parks were already established, covering a total area of 2,796,470 acres¹⁹⁴. In 1934, various provisional state forest reserves, totalling 48,440 acres in the Eglington and Upper Hollyford Valleys around the Te Anau and Milford Sound Road were declared a national park by special legislation¹⁹⁵.

In 1935 various crown lands in the same area, totalling 90,650 acres were permanently reserved for national park purposes¹⁹⁶. By 1939, 496 acres were added to Egmont National Park and 29,460 acres to Arthur National Park. In the case of the latter, 11,110 acres were obtained from crown land and 18,350 from state forest reserves¹⁹⁷.

The early national park legislations were mainly designed to establish the park areas with minimum management and administrative control by the park boards. The park boards could establish tourist accommodation but this was mainly intended to be hostels and huts, for the boards did not

¹⁹⁴ Department of Lands and Survey, Annual Report, Year Ended 31 March 1939, p.6.

¹⁹⁵ *Ibid.*

¹⁹⁶ *Ibid.*

¹⁹⁷ *Ibid.*

have the financial resources to provide large scale tourist accommodation. In fact, the main function of the park boards was preservation and control, a function which is still dominant in park board philosophy. It was not until 1952 that a *National Parks Act, No. 54*¹⁹⁸ was passed to cover all national parks' administration from a central body.

The preamble of the Act reads:

*The purpose of the Act is for the preserving in perpetuity as national parks for the benefit and enjoyment of the public, areas of New Zealand that contain scenery of such distinctive quality or natural features so beautiful or unique that their preservation is in the national interests.*¹⁹⁹

A National Parks Authority* was established by this act, with powers to advocate and adopt schemes for the protection of national parks, and for their development on a national basis²⁰⁰.

¹⁹⁸ *National Parks Act, No., 54, 1952, New Zealand Statutes Volume II. 1952, Government Printer, Wellington, 1952, pp. 943-944.*

¹⁹⁹ *Ibid.* Section (1) of the *National Parks Act, 1952*, established the Park's Authority*, composed of the Director-General of Land, Assistant Deputy Director of Lands, Director of Forestry, Secretary of Internal Affairs, General Manager of the Department of Tourist and Health Resorts, person appointed by the Minister on the recommendation of the Forest and Bird Protection Society of New Zealand Inc., person overseeing the Park Boards.

²⁰⁰ *Ibid.*

The 1952 National Parks Act established a two-tier management and administrative structure for New Zealand national parks, namely the National Park Authority and the Park Boards, under the Ministry of Lands and Survey. The National Park Authority, which is the parent body, is responsible for the following functions²⁰¹:

- (a) To recommend the enlargement of existing
 - parks and the setting apart of new ones.

In cases where the Authority considers that private land should be acquired for national park purposes, or for the extension of a national park, it may recommend to the Minister for a purchase to be made. Such an authority to acquire land is also provided by the 'right of way' clauses of the 1952 Act, the Crown by order in Council may declare

 - from time to time, any Crown land, forest land or any public reserve vested on the Crown or any land acquired by the Crown for national parks purposes;

- (b) To recommend to the Minister the manner in which money appropriated by Parliament for the administration, maintenance, and improvements of national parks should be

²⁰¹ Ibid, pp 946-948.

allocated;

(c) To exercise in relation to national parks and national park boards such powers and functions as are conferred on the Authority by this Act;

(d) Generally to control in the national interest the administration of all national parks in New Zealand.

The National Park Boards²⁰² are responsible for the daily management, control, and administration of the parks. They are responsible for putting policies into practice, in accordance with the provision of the Act and subject to the general policy and direction of the National Parks Authority. The Park Boards are to ensure the fullest and proper public use and enjoyment of the parks, consistent with the preservation of the natural features and the protection and well being of the native flora and fauna.

A park board may appoint a secretary, a treasurer; each of whom will be an officer of the Department of Lands and Survey, and such park rangers that may be deemed necessary. All such personnel appointments are subject to

²⁰² Ibid, p. 959.

the approval of the Authority²⁰³.

Other specific functions of the park boards are listed below. The boards may²⁰⁴:

- (a) set aside areas for public amusement or recreation within the parks;
- (b) prohibit trade or business within the park, unless licensed by the board;
- (c) erect or authorise the erection of ski-tows or other apparatus designed to facilitate tourist traffic or the enjoyment of skiing or other winter sports huts;
- (d) provide waterways, bridges, roads and tracks within the parks;
- (e) provide camping sites and parking places for vehicles, or prohibit them;
- (f) do anything that may be requisite for the proper and beneficial management.

²⁰³ Ibid, pp. 959-960.

²⁰⁴ Ibid.

administration and control of parks;

- (g) provide accommodation for tourists, or assist the establishment of such by other persons, and charge for such facilities.

Several amendments to the principal act were made to consolidate the functions and power of the National Park Authority and the park boards. In 1967 Section (54) of the principal act was amended to provide for a further fine of not more than \$10 a day for an offence of a continuing nature²⁰⁵.

In 1968 membership to the National Parks Authority was increased to two from each mentioned organisation²⁰⁶. In

1971 Section (40) of the principal act was amended to increase the fine for offences within parks to \$100²⁰⁷.

In 1974 Section (2) of the principal act provided for additional members of the park boards on the recommendations of the Minister of Tourism, in park areas adjacent to lands administered by the Tourist Hotel Corporation²⁰⁸.

Since the establishment of the Tongariro National Park in 1894, with 63,300 acres of land, New Zealand national parks have grown both in size and numbers. Today there are 10

²⁰⁵ New Zealand Statutes, 1967, p.642.

²⁰⁶ New Zealand Statutes, Vol. 2, 1968, p.119.

²⁰⁷ New Zealand Statutes, Vol. 4, 1971.

²⁰⁸ New Zealand Statutes, Vol. 2, 1976, p.1611.

national parks, comprised in a total area of 2,151,437 hectares²⁰⁹.

D Reserves and Domains

Reserve and domain policies are designed to be complementary to the spirit of the national park policy. In New Zealand there are three classes of reserves. Scenic reserves are those outside national parks with scenic features that are considered unique enough to deserve preservation in perpetuity. Historic reserves are areas with significant historic features that are considered as part of the natural heritage and worthy of preservation. There are also reserves for the preservation of flora and fauna. This class of reserve is set aside to provide habitat for bird and plant life of such importance that some control of public access is desirable. Public domains are land set aside, in, or near urban centres, to provide park atmosphere. They are normally controlled by the commissioners of crown lands or by local authorities acting as domain boards.

Scenery preservation²¹⁰ and reserves legislation began as early as 1908 when legislation for national parks purposes

²⁰⁹ Report of the Department of Lands and Survey, Year Ended 31 March 1977, p.18.

²¹⁰ Ibid., p.13.

was being established. By the 1930's measures to acquire more land of scenic importance were introduced.

In 1939, for example, 16,905 acres were proclaimed scenic reserves under the 1908 Preservation Act. The following table (xxi)²¹¹ shows from where these lands were acquired.

Table (xxi)

Land Acquired Under the Scenic Preservation Act in 1939

Class of Land	Area (Acres)
Crown land areas.....	9,408
Private land acquired by the Department of Lands and Survey and assisted by local bodies and public subscription.....	4,576
State forest areas made available.....	1,465
Crown leasehold areas.....	941
Private land acquired by the Department of Lands and Survey.....	260
Freehold gifts.....	236
Native land acquired by the Department of Lands and Survey.....	19
TOTAL	16,905

²¹¹ Appendix to the Journal of the House of Representatives, Volume II, 1939, Report of the Department of Lands and Survey, 1939, c.6, pp.3-5.

The total number of scenic reserves in 1939 numbered 1,118, covering a total area of 819,000 acres.

Similar to the provisions of the *National Parks Act*, several means of acquiring land for scenic purposes are available. For example, under Section 55 of the *Statutes Amendment Act, 1939*, it is provided that any land comprised in a state forest may be declared to be a reserve under the *Scenery Preservation Act*, on the joint recommendation of the Minister in Charge of Scenery Preservation and the Commissioner of State Forests²¹². The state forest service co-operates closely with the Department of Lands and Survey in matters of scenery preservation and has on several occasions willingly agreed to selected areas of state forest lands being declared reserves under the *Scenery Preservation Act*.

One year after the passing of the comprehensive *National Parks Act*, a similar comprehensive Act, the *Reserves and Domains Act, No. 69, 1953*, was passed to consolidate and amend certain enactments relating to the control, management and development of public reserves, domains, scenic reserves, and historic reserves²¹³. An administrative body, the Scenery Preservation Board, was set up as the main

²¹² Ibid.

²¹³ *The Reserves and Domains Act No., 69, of 1953*. New Zealand Statutes, Volume I, 1953, Government Printer, Wellington, 1954, p.657.

authority with local authorities appointed as domain boards. These domain boards are manned by trustees, societies, associations, and other voluntary organisations. Their functions are, to a lesser extent, similar to those of the boards and are mainly concerned with preservation, protection, and control against public malpractice.

The following table (xxii)²¹⁴ shows the number of national parks, reserves and domains in New Zealand as at 31 March 1980.

²¹⁴ Report of the Department of Lands and Survey, op.cit., 1980, p 40.

Notes to Table (xxii)

- * Previous figures as at 31 March adjusted.
- + Recreation reserves under control of the Commissioner of Crown Lands.

Previous figures adjusted includes major adjustment on recalculation of the area of Fiordland National Park. It also includes 17 scenic and historic reserves, totalling 239 hectares, and 2 historic and recreation reserves, totalling 5 hectares.

Table (xxii)

Number and Area of National Parks, Reserves and Domains in New Zealand, 1980

	National Parks	Scenic Reserves	Historic Reserves	Nature Reserves	Recreation Reserves	Scientific Reserves
	No Area (Hectare)	No Area (Hectare)	No Area (Hectare)	No Area (Hectare)	No Area (Hectare)	No Area (Hectare)
Number and area as at 1 April 1979	10 2,152,830	1,023* 285,626*	109 1,985*	50* 173,732*	600* 21,057*	19* 2,057
National parks and reserves constituted during year	- -	23 1,045	9 327	1 5	21 97	- -
Additions to national parks and reserves during year	- 1,160	- 1,121	- 5	- 11,437	- 13	- -
Areas revoked or amalgamated during year (area includes adjustments, partial revocations and land exchanged)	- 4,781	7 1,012	2 28	1 37	1 95	- -
Number and area as at 31 March 1980	10 2,149,209	1,045 286,780	116 2,289	50 185,137	620* 21,072	19 2,057

F Environmental Land Use for Tourism Development

In New Zealand, the high country zone, that is, 950 metres and above, involves 3^c percent of the total land area and most of this is state owned, with the majority of it being under some explicit form of protection, as national parks or forest reserves^{21 5}. The ten national parks of New Zealand cover approximately 7.7 percent of the total land area^{21 6}. In a relatively small country, with ten extensive national parks situated in environmentally protected areas, a country whose tourist industry is largely dependent on the attraction of these protected areas, the need for combined approach in planning and management between environmental planners and tourism planners must be considered absolutely necessary and be given priority. As already mentioned, the multi-dimensional relationship between tourism and environmental land use is basically characterised by conflict and mutual dependance. This sub-section provides an integrated planning model for the harmonization of policies designed for tourism and environmental land use in New Zealand. Policy measures that have already been taken in New Zealand will be incorporated in the model, where appropriate.

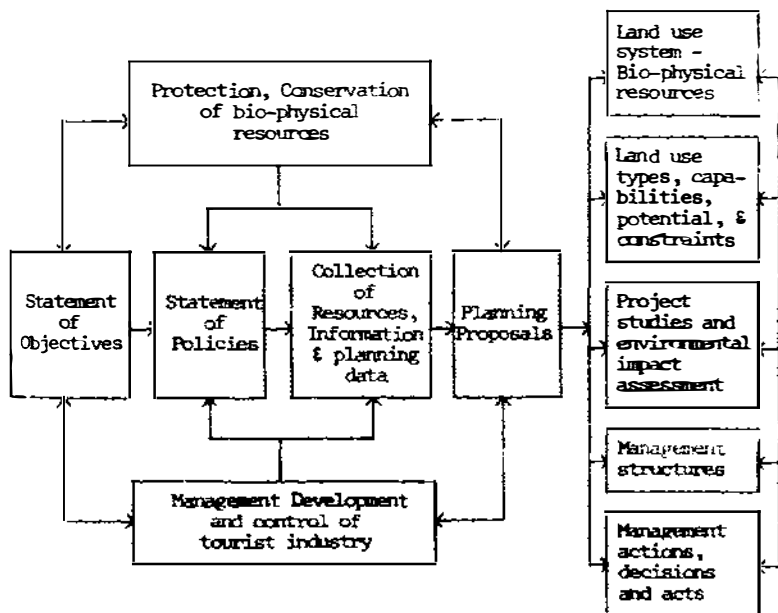
^{21 5} P H C Lucas, 'National Background for Tourism and the Environment', Department of Lands and Survey, Information Series No 6, Wellington, 1978, p.12.

^{21 6} L W McCaskill, 'National Parks in Centennial Year', National Parks News, Volume 2, April/July 1972, p.3.

The diagram (figure 6) below provides an illustrative model for an integrated approach to environmental land use related to tourism development.

Figure 6

An Indicative Diagram for Environmental Land
Use Development and Management and Tourism Development



In any management and planning exercise, the first step is to state the planning objectives as clearly as possible.

In a two section planning exercise, such as environmental

conservation and tourism development, management and development objectives may appear to be antithetical

The relationship between tourism and the natural environment, however, need not conflict and in areas where conflict could occur, measures can best be taken to reduce or prevent such an occurrence. The viability of the New Zealand tourist industry is almost entirely dependent upon the attractions of the scenic environment and the recreation resources they contain. In order to harmonise the relationship between tourism and the natural environment, the objectives of environmental preservation and protection must not be subject to uncontrolled tourism development. The stated objectives of the National Parks Act, 1952, No 54 are to *"preserve in perpetuity"* areas of certain *"scenery"* of such *"distinct quality"* or *"natural features"* so beautiful or unique that their *"preservation"* is in the *"national interests"* for the benefit and *"enjoyment of the public"*, and as far *"as possible in their natural state"*.

Apart from the regulatory provisions contained in the 1952 National Parks Act against the degradation of national parks' natural environment, there are other measures designed for the protection of the environment in New Zealand. The Environmental Protection and Enhancement Procedures²¹, which came into effect on 1 March 1974

²¹ P H C Lucas, 'National Background for Tourism and the Environment', op.cit., 1978, p.15.

provide that environmental impact reports must be prepared for all major projects of government and all other projects that require government approval or funds. The Procedures also provide for public submissions on all proposals.

*The Nature Conservation Council Act, No 24, 1962*²¹⁸

established the council as a central body for obtaining and co-ordinating the views of organisations, bodies and persons interested in nature conservation.

It is an advisory body on scientific and technical aspects of nature conservation and has powers to inquire into the effects of any proposed public works within the meaning of the 1928 *Public Works Act*, and in any private or other works on places of scenic or scientific interest or of specific recreational value, or on any aspect of nature conservation. The Queen Elizabeth II National Trust²¹⁹ is also another body established by legislation to ensure that sufficient open space is provided. The Trust also acts as a co-ordinating link between land protection and recreational responsibilities of the various agencies concerned.

The numerous protection and control measures for the natural environment are designed to safeguard these natural resources against public misuse and at the same time

²¹⁸ *The Nature Conservation Council Act, No 24, 1962, New Zealand Statutes, Volume 2, 1962, Government Printer, Wellington, 1963, pp.205-211.*

²¹⁹ P H C Lucas, 'National Background for Tourism and the Environment', op.cit., 1978, p.15.

preserve them for public enjoyment. These measures ensure that no natural resource development takes place unless compatible with the conservation values of the area.

The effects of these control measures on the tourist industry have on occasion been frustrating and on other occasions ensured that tourist companies wishing to develop these resources provide plans that are environmentally compatible with the natural character of the area, before permission is granted. The Environmental Impact Report on the Development of Facilities Area, Home Bay, Lake Waikaremoana, Urewera National Park²²⁰ is an example of a plan that provides for a tourist accommodation style compatible with the natural environment. The main objectives for the development of the Lake Waikaremoana area were to provide limited informal, first class accommodation and other facilities to meet the requirements of visitors to the park, to enable New Zealanders to travel and enjoy their own country in accordance with government policy, by placing the facilities within the means of the average New Zealander, with particular emphasis on family type accommodation. In this environmental impact report, the Tourist Hotel Corporation and the Urewera National Park Board, the two development agents, endeavoured to provide a plan for compatible land use by putting emphasis on the enjoyment and

²²⁰ The Environmental Impact Report, Urewera National Park Board and the Tourist Hotel Corporation, op.cit., October 1975.

protection of the scenic values and quality of the national park and not allowing the very development they attract to destroy them. In this instance, the proposed plan was approved.

There are other instances in which tourist company proposals to develop certain recreational resources within scenic areas face strong opposition from government advisory bodies and from the public. One case is the proposal made by the Mount Cook and Southern Lakes Tourist Company Limited to develop the Rastus Burn Basin in the Remarkables Range into an alternative ski-field to Coronet Peak, which was experiencing visitor pressure on its capacity. A management study team was set up, composed mainly of officials of the Department of Lands and Survey. The study was to investigate the physical resources, social and current land use so that the development proposals put forward by the company to the Land-Settlement Board could be decided upon. The terms of reference²²¹ of the management study team provided for a study of:

the whole area of the Remarkables Range for the purposes of assessing the potential of this resource for scenic, conservation, recreation and tourist uses; to provide for adequate degree

²²¹ Remarkables and Hector Mountains, Otago, New Zealand: A Management Study, Department of Lands and Survey, Dunedin, New Zealand, March 1977, p.2.

of protection of land resources in conjunction with appropriate levels of public use and enjoyment in terms of the capacity of the area, and a balance with the recreational opportunities in the surrounding district.

Although there were some individual submissions supporting the company's proposal, several interest groups such as the Remarkables Protection Committee, the New Zealand Alpine Club, the Southland Tramping Club (Inc.), and the Otago Tramping and Mountaineering Club opposed the proposals on the grounds of environmental and conservation protection. The management study group was equally unsympathetic to the proposals of the company. Some recommendations of the management study group state²²²:

(2) No recreation or tourist development attracting large numbers of people should be permitted if it would either reduce the effectiveness of the desirable soil and water conservation objectives or endanger vulnerable botanical and geological areas or introduce unsympathetic artificial components into spectacular and highly appreciated natural scenic....

²²² Ibid, p.22.

(b) *Current recreational activity is sporadic, wide ranging, low intensity and not detrimental to the aesthetic or soil and water conservation values in the alpine region.*

(c) *Any commercial ski-field development proposal in the alpine areas will require further investigation and research, but the team assesses that only the headwater of the Doolans (right branch) creek is suitable for this purpose.*

The management study group argued that the roading proposed by the company would be environmentally destructive and would destroy the aesthetic appeal of the northern flank of the Remarkables Range. Such destruction could be avoided by developing the Doolan Creek site. The company, on the other hand, considered the Doolan Creek as an unacceptable alternative because of roading cost factors. The company argued that the northern flank of the Remarkables Range had no special aesthetic appeal and that the alternative roading to Doolan Creek would cost three times more than that proposed to Rastus Burn Basin²²¹.

²²¹ Mount Cook and Southern Lakes Tourist Company Limited, Remarkables and Hector Mountains Comments on the Management Study. Proposed Rastus Basin Ski-Field and Access Road. A Submission to the Commissioner of Crown Lands, Dunedin, August 1977, pp. 6-7.

The conflict between development and conservation is largely due to the narrow interpretation of the regulations designed for environmental protection and land use for commercial purposes. The National Parks Act, however, allows for a rapport between conservation objectives and the visitor industry's objectives. In the above-mentioned conflict of interest, the Land-Settlement Board took a decision to allow the development of the Rastus Basin into a ski-field by the company, but this was an instance in which national park policy and land use regulations were interpreted to aid the development of the tourist industry.

Ski-field resources are mainly located in the New Zealand national parks. In this regard, the ski industry is largely dependent upon its continuing access to these resources. Skiing itself is not environmentally destructive as other activities such as mining, carried out in national parks. The environmental impact concern about ski-field development is mainly related to infra-structural impact on the natural environment. This would include the effects of roading on the soil drainage system, flora and fauna destruction and distortion of the aesthetic appearance of the natural landscape. Such impact can, however, be minimised through sensitive planning and rigid control on roading methods. Roading can be restricted to areas where environmental damage is tolerable to a certain degree.

Another factor to consider in favour of allowing the ski industry to the ski resources of the national parks is the

economic importance of the industry and its role in tourism development in New Zealand. The ski industry is a multi-million dollar industry and skiing is one of the major tourist leisure and sports activities in New Zealand. In the 1976 ski season, the industry produced \$1.8 million revenue earned from 280,000 ski days, mostly between June and October. It is estimated that more than 4,000 Australian skiers visited the New Zealand ski fields. With reduced air fares and discount accommodation prices, the New Zealand ski industry is likely to experience a substantial rise in visitors²²⁴.

Having established that the compatibility of objectives is a basic planning criteria in environmental land use, conservationist and interest groups in the tourist industry should, through planning co-ordination, establish specific land use policies with regard to the technical and management operations of the environmental resources. The policies should be mutual to both sectors (tourist activities and environmental resources protection). It is at this level that management policies should be clearly defined and formulated in accordance with stated compatible objectives. In New Zealand, the land use policies for national parks and other scenic areas are fairly comprehensive, although on occasions they conflict. Mining, logging and hydro-electric power development tend to conflict with environmental

²²⁴ Ibid., p 23.

resources conservation policies. The New Zealand Mining Act, 1912²⁵ provides holders of prospecting licences with an automatic mining right within national parks. In 1972 nearly 1,000,000 acres of national park land, that is one fifth of the total area, have been subjected to prospecting licences²⁶.

The Department of Lands and Survey has warned that there has been considerable interest among mining companies in obtaining prospecting rights within national parks and reserves and several parks, previously free from prospecting, have now been the subject of application²⁷.

The National Park Authority is responsible for recommending mining activities within park areas and could recommend against the granting of mining rights to a licence holder if, in the opinion of the Authority, such activity could be detrimental to the preservation of areas of scenic value. But the Authority, although responsible for the administration and management of the national parks, does not have responsibility to grant mining prospecting licences.

²²⁵ Report of the Department of Lands and Survey, Year Ended 31 March 1978, pp.13-15.

²²⁶ L W McCaskill, 'New Zealand National Parks in Centennial Year', op.cit., 1972, p.5.

²²⁷ Report of the Department of Lands and Survey, Year Ended 31 March 1977, p.8.

The Authority regards all applications for prospecting licences as if they were applications for mining licences and has generally tended to recommend against the granting of such licences. If, however, a permit to prospect is granted, the National Parks Authority is responsible for ensuring adequate supervision and policing of prospecting activities, and also ensuring that no permanent damage to the natural values or public usage is affected²²⁸.

Unlike mining activities, tourism activities can be harmonised with conservation values. This, however, would require mutuality in land use policies, such as land classification and resource inventory. Land use management policies require certain information and data. Firstly, there is a need for a land classification system. In New Zealand there are no general national land classification systems. Such classifications are normally defined in areas under study. In national parks, there are land classifications and land use systems. There are basically four categories of land in New Zealand national parks, these are²²⁹ :

(i) Special Areas

These are areas that possess indigenous plant or animal life, or geological,

²²⁸ National Parks Authority, General Policy, Department of Lands and Survey, Wellington, 1978, pp.3.2-3.5.

²²⁹ Ibid, pp.2-5.

archaeological or historical features of such significance to deserve their preservation intact with minimum interference. Access to these areas must be with special permit.

(ii) Wilderness Areas

These are special areas where predominant characteristics are a result of natural phenomena such as unspoilt environment. Access to these areas are only by foot-walk.

(iii) Natural Environment Areas

These are areas which are maintained predominantly in their natural state, but where tracks, bridges, and outlying huts may be provided for the use and enjoyment of the natural environment and for public safety.

(iv) Facilities Areas

These are areas within the parks where facilities for park areas may be provided with minimum facilities, including accommodation sites, sports and leisure sites, parking and other

services²³⁰.

The criteria for land classification is based on information available on all the specified areas, thus determining through a resource data inventory and potential use system the type of land use and land classification for each area in a designated environmental region. The resource data inventory should help indicate the sensitive bio-physical areas, the capacity of the environment to tolerate visitor activities, the environmental impact of visitor facilities, and visitor growth trends. Such data can also help indicate the desirable level of human activities required to maintain the balance between visitor activities and natural environment resources.

Two planning proposals have been cited in this chapter. There are some important differences in these two planning proposals, although the objectives were the same. Both the Mount Cook and Southern Lakes Tourist Company and the Tourist Hotel Corporation are interested in the growth of the tourist industry. The Environmental Impact Reports put forward by the two organisations were expected to comply with environmental compatibility.

The Tourist Hotel Corporation, with the Urewera National Park Board, provided an environmentally sound proposal,

²³⁰ Ibid.

while the Mount Cook and Southern Lakes Tourist Company proposals met with strong disagreement from the management study group which evaluated the company's environmental impact report. The fact that the Tourist Hotel Corporation's plan was drawn in conjunction with the Urewera National Park Board might have made the difference because of the input of the park board whose concern for conservation and land use compatibility is reflected in the Lake Waikaremoana accommodation facilities development proposal. The Mount Cook and Southern Lakes Tourist Company did not have a park board involved in its development proposal since the proposed ski-field is not in a national park. The company was not involved with an accommodation proposal, but with the development of a ski-field in a remote alpine region and the associated access route. The company hired private evaluators to prepare its environmental impact, who in the opinion of conservationists, were only interested in presenting an economically viable plan with less emphasis on environmental problems. The company did not encourage the participation of conservation groups in its environmental impact study. Although the company's proposals have been accepted, it was only through a lengthy and frustrating process. Perhaps it would have been less frustrating and quicker if independent conservationists had been invited to advise facilities planners. In order to achieve compatible objectives, there is need for planning co-ordination between tourism developers and environmental conservationists. Such could be achieved through the representation and participation of tourist industry

planners and environmentalists in the National Park Authority, the park boards, and the Nature Conservation Council. This would also help eliminate the existing antagonism between environmental conservationists and tourism developers.

F The Economic Importance of National Parks and Scenic Environmental Areas

Planning the land use system of any natural environment requires an economic justification. The leisure and sports activities sold by the New Zealand tourist industry are a significant business in the New Zealand economic system. Tourism is a large foreign exchange earner. In the South Island, tourism is a major industry. The contribution of this sector in the regional development of the South Island is reflected by the large dependence of towns like Queenstown on tourism activities.

The Borough of Queenstown has a total resident population of 1,442, according to the 1976 census²³¹. Originally the town was founded as a gold rush settlement, but with the decline of gold mining activities the major industry of the town today is tourism. The work force has trebled since 1960 from 319 to 1,179 in April 1977²³². The following table

²³¹ Tourism and the Environment. These papers prepared for the Organisation for Economic Co-operation and Development, Department of Lands and Survey, Wellington, 1978, Information Series No 6, p-27.

²³² Ibid., p.29.

(xxiii)²³³ illustrates the dominant role of the tourist industry in Queenstown.

The majority of the commercial and industrial activities listed are directly related to the tourist industry as inputs to the tourist industry and thereby benefit from income generated by tourism activities. Employment in the tourist industry in Queenstown accounts for approximately 50 percent of the total work force. There are 22 arts, crafts and souvenir business establishments, 12 hotels, 25 motels, and 14 eating houses, in contrast to 3 pharmacies, 3 dairies, 2 butchers, and 1 fish shop in Queenstown. This is a classic example of a town that is almost entirely dependent upon tourism. A more recent study by Douglas Pearce on The Economic Impact of Westland National Park shows that the park generated approximately \$4.2 million in the Franz Joseph and Fox Glacier region. The ski-fields of Coronet Peak, the scenic attractions of the Southern Lakes district, the national parks of Mount Cook and Fiordland National Park are the main attractions. Visitors to these recreational and leisure reserves are largely responsible for the tourism activities in Queenstown.

²³³ Ibid.

NB Surveyed employment covers all businesses employing two or more persons in all industries except agriculture, hunting, fishing, waterfront work, sea-going work, and domestic service in private households.

Source Department of Labour.

Table (xxiii)

Employment Structure of Queenstown Borough, 1960-1977

	Queenstown						New Zealand	
	1960		1970		1977		1977	
	No	%	No	%	No	%	No	%
<u>Males</u>								
Wholesale, retail	35	16.7	104	29.7	285	41.3	99,350	15.4
restaurants and hotels	65	31.0	55	15.8	116	16.7	72,895	11.3
Transport & communication	42	20.0	81	23.4	121	17.5	126,488	19.7
Community and personal services	45	21.4	72	20.6	108	15.6	70,559	10.9
Construction	8	3.8	15	4.3	39	5.6	35,854	5.6
Finance, insurance, real estate & business services	-	-	10	2.9	10	1.5	13,943	2.2
Electricity, gas and water	15	7.1	12	3.4	5	0.8	214,841	33.3
Manufacturing	-	-	-	-	7	1.0	6,921	1.0
Forestry and logging	-	-	-	-	-	-	3,854	0.6
Mining and quarrying	-	-	-	-	-	-	-	-
	210	100.0	349	100.0	691	100.0	644,735	100.0
<u>Females</u>								
Wholesale, retail	84	77.0	156	64.8	328	67.2	65,557	21.3
restaurants and hotels	8	7.3	23	9.5	39	8.0	20,873	6.8
Transport & communication	12	11.0	44	18.3	77	15.8	-	-
Community and personal services	-	-	2	0.8	5	1.0	3,705	1.2
Construction	3	2.8	13	5.4	31	6.4	28,314	9.2
Finance, insurance, real estate & business services	-	-	1	0.4	1	0.2	1,475	0.5
Electricity, gas and water	2	1.8	2	0.8	6	1.2	75,703	24.6
Manufacturing	-	-	-	-	1	0.2	307	0.1
Forestry and logging	-	-	-	-	-	-	180	0.1
Mining and quarrying	-	-	-	-	-	-	-	-
	109	100.0	241	100.0	488	100.0	307,513	100.0
Males in Work force	210	65.8	349	59.2	691	58.6	644,735	67.7
Females in Work force	109	34.2	241	40.8	488	41.4	307,513	32.3
TOTAL WORK FORCE	319		590		1179		952,248	

In New Zealand, however, scenic natural attractions are not operated on a profit orientation basis. The basic function of the National Parks Authority is to administer all national parks, to preserve them in perpetuity for the benefit and enjoyment of the public, in the national interest. For this reason, funds allocated by government for the national parks' management are restricted mainly to carry out administrative, conservation and control services rather than the economic development of the national parks as scenic reserves. Government is responsible for funding national parks as well as park boards' capital projects, such as accommodation, roads, bridges, and the necessary repair projects. According to P H C Lucas, Deputy Director General of the National Parks Authority, the New Zealand government is not primarily concerned with the comparative economic significance of national parks and the financial contribution available to national treasury as a result of national parks' operation. They are not established to boost the tourist industry nor to generate and sustain an income from that source that can be used to develop and maintain the resource.

Government funds allocated to park boards by the National Parks Authority for the 1977-1978 financial year amounted to \$1,078,000, of which \$740,000 was for administration and maintenance, and \$338,000 for capital projects²³⁴. These

²³⁴ Report of the Department of Lands and Survey, 1978.

figures do not include government subsidies or donations received, which totalled \$72,450²³⁵.

The following table (xxiv)²³⁶ shows the income earned by national parks.

Table (xxiv)

Income Derived from Government Grants, Donations and
Certain Park Activities (1977-1978) Year Ended 31 March 1978

National Parks	Government Grants, Incl. Subsidies	Donations	Rent, Fees and other Facility Charges and Accommodation	Sale of Publications
Westland	\$ 80,977.30	\$ 5,759.59	\$ 4,370.54	\$10,017.65
Fiordland	223,566.14	44,387.99	206,388.59	3,818.27
Nelson Lakes	58,993.10	891.96	22,230.38	1,580.10
Mount Cook	656,514.00	988.24	31,710.44	4,740.04
Arthur's Pass	68,923.22	541.21	11,985.05	2,699.26
Abel Tasman	82,194.82	839.46	20,017.39	2,638.64
Mount Aspiring	110,569.00	2,544.00	11,575.00	3,818.00
Urewera	438,301.46	3,076.03	49,787.19	54,333.53
Egmont	127,563.14	1,022.98	13,717.89	1,825.01
Tongariro	295,929.00	6,121.00	24,907.00	2,510.00

²³⁵ Ibid.

²³⁶ The data is collected from the Annual Reports of the National Park Boards, Year Ended 31 March 1976 - For Tongariro these are 1979-80 figures.

NB: Government funds allocated to park boards by the National Park Authority amounted to \$1,078,000 for the financial year 1977-78. Of this sum \$740,000 was allocated to administrative and maintenance services and \$338,000 to capital projects. The total subsidy on donations amounted to \$72,400. The government grants a subsidy on donations on the basis of \$1 for every \$2 donation.

Although the national parks, by legislation, are not set up to boost or sustain the tourist industry in New Zealand they do, by nature, do this. Within the national parks themselves, the income they generate from the use of park facilities is substantial. The total National Park Board revenue for the year ended 31 March 1977 was approximately \$427,500²³⁷. These figures show that government policy is not to operate national parks on a profit basis.

However, national parks play a significant role in the growth and development of the New Zealand tourist industry. They have the potential in their own resources to generate multi-million dollar income activities. In the United States, for example, national park services are set up to preserve and maintain parks, monuments and historic sites in perpetuity, a function which is similar to that of the New Zealand National Park Authority. But unlike the New Zealand system, the economic value of parks in the United States is the criterion by which funds essential to their operation, maintenance and perpetuation are justified. United States national parks contribute as much as \$6.4 billion to the sales of firms servicing national park areas. Travel to national parks gave the United States \$952 million in taxes for the Federal

²³⁷ Ernest W. Shennan, Travel and the National Parks: An Economic Study, North Carolina State University, North Carolina, 1969, pp. 7-9.

Government in 1967. Income generated by travel to the national parks contributes approximately \$5.71 billion to the Gross National Product in the United States²³⁸.

National parks play an economic role. They generate direct income and indirect income, both within and outside the region of the parks. Queenstown, as mentioned before, is a good example of a tourist town that enjoys direct income from the influence of national parks in the South Island and the scenic and sports resources of the natural alpine environment around Queenstown. The economic significance of national parks lies in their income generating capacity and potential. The dollars spent by visitors to the park and related centres are substantial. The growth of visitor arrivals to New Zealand national parks has been on the increase.

The following table (xxv)²³⁹ shows visitor trends to the ten New Zealand national parks.

²³⁸ Report of the Promotion and Marketing Committee, Tourism Advisory Council, op.cit., Appendix, p.20.

²³⁹ It is very difficult to obtain the total number of visitors to each national park and methods of collecting this information vary from park to park, and with the personnel involved. The whole question of park usage statistics is to be reviewed by the National Parks Authority in the near future. These figures should be used with caution.

Table (xxv)

Visitors to New Zealand National Parks, 1970-1977

National Parks	1970/71	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1976/77
Urewera	4.8	87,598	124,384	108,857	109,604	107,663	126,528	129,865	5.0*
Tongariro	17.4	319,000	373,000	484,000	395,000	470,000	516,000	558,000	21.5
Egmont	7.4	136,416	139,820	187,820	164,000	196,290	193,210	254,820	9.8
Abel Tasman	3.4	62,260	47,409	56,122	57,000	63,000	69,300	71,125	2.7*
Nelson Lakes	3.2	59,835	71,804	76,798	78,256	83,280	83,493	83,504	3.2
Arthur's Pass	6.1	112,967	137,600	169,500	229,134	293,494	293,000	102,800	4.0
Westland	27.5	504,758	580,706	366,950	442,376	359,375	333,888	500,000	19.2*
Mount Cook	6.7	122,300	159,500	168,800	177,000	195,000	202,000	198,000	7.6*
Mt Aspiring	8.7	160,500	174,100	256,350	285,100	250,000	300,000	275,000	10.6
Fiordland	14.8	272,213	340,939	355,000	390,500	429,550	472,500	425,250	16.4
TOTAL	100.0%	1,835,847	2,149,262	2,230,197	2,327,970	2,447,652	2,589,929	2,598,364	100.0

* Estimated

Source Lands and Survey Department.

The rate of visitors to Mount Cook National Park is estimated to be increasing by 50 percent per annum²⁴⁰. Total visitors to national parks have increased from 1,837,847 to 2,598,364. Increased visitor growth to the national parks is expected by the Park Authority. The pressure such a growth would have on park management and present park facilities should be anticipated and measures provided to control that impact. This would mean increased injection of public funds for the administration and maintenance of the parks and advisably more income from commercialisation of national park resources. This would mean the recognition of national parks as economic assets and a change in current national park policies.

The growth of visitors to national parks in one sense reflects the strength of the tourist industry. Although the growth has been substantial in the past ten years in New Zealand, it has not yet reached a point where national parks get overcrowded or cause traffic jams in main state highways, as in the United States. The national average hectare per visitor to New Zealand national parks is 0.82 hectare per visitor. Specific national parks, however, have varying figures. The following table (xxvi)²⁴¹ shows the ten New Zealand national parks, their areas in hectares,

²⁴⁰ P H C Lucas, 'Tourism and the Environment: Tourism, an Introduction to the New Zealand Tourist Industry', New Zealand National Travel Association Inc., Wellington (undated), p.18.

²⁴¹ Data collected from Department of Lands and Survey. The visitor per hectare figures are arrived at by the author.

and hectares per visitor.

Table (xxvi)

National Parks of New Zealand
Size Area (1977), Number of Visitors (1975-76)
and Hectares Per Visitor

National Park	Area in Hectares 1977	Number of Visitors 1975-1976	Hectares per Visitor
Abel Tasman	22,139	69,300	0.32
Arthurs Pass	98,405	294,000	0.33
Egmont	33,532	193,210	0.17
Fiordland	1,195,652*	472,500	2.53
Mt Aspiring	287,253	300,000	0.96
Mount Cook	69,957	202,000	0.35
Nelson Lakes	59,470	83,493	0.69
Tongariro	76,198	516,000	0.15
Urewera	205,852	126,538	1.63
Westland	88,631	359,375	0.25
TOTAL AREA	2,151,437**		
TOTAL NUMBER OF VISITORS		2,616,416	
NATIONAL AVERAGE HECTARE PER VISITOR			0.82

* With the availability of new mapping and an improved definition of the boundaries of the Fiordland National Park, the areas have been recalculated, resulting in a reduction of 16,348 hectares.

** This includes major adjustments to park areas.

The increasing number of visitors to national parks and their environs indicates a need for effective environmental planning and management that is complementary to tourist development planning. In New Zealand the tourist industry is economically linked with the attractions of the national parks. Visitor growth to national parks reflects the visitor growth of the tourist industry. The factors responsible for growth in each sector are the same. They include changes in transport technology and roads, increasing income, growth in travel demand, growth in leisure demand and availability of leisure time. These factors further reinforce the argument that management and development of the two sectors should be planned conjointly.

Conclusion

Tourism development includes the effective utilisation of natural physical resources. The structure and organisations that govern the utilisation of these resources require policies that make them functional to the tourism development processes and objectives. The major focus in this chapter has been the relationship between environmental land use and tourism development. The relevant policies which determine environmental land use in New Zealand are those embodied in the National Parks Act 1952, the Nature Conservation Council Act 1962, the Environmental Protection and Enhancement Procedures 1974, and the Scenic

Preservation, Reserves and Domains Act. These legislations, although designed to ensure proper land use of natural environmental resources for the enjoyment of the public, are fundamentally protective measures rather than development orientated measures. The spirit which guided the establishment of the first national park, for the growth of the tourist industry, does not find expression in present policies. National parks policies limit tourism activities in the name of conservation. If tourism development is conjointly planned with environmental resources development, the conflict between tourism activities and natural environmental resources will be reduced. The natural environment is part of the "Tourist Product".

CHAPTER 7

THE PERSONNEL AND TRAINING REQUIREMENTS AND TRAINING ORGANISATIONS AND POLICIES OF THE NEW ZEALAND TOURIST INDUSTRY

A Introduction

The objective of this chapter is to identify the employment content of the New Zealand tourist industry, its future personnel needs and policies that govern the recruitment and training of personnel in the industry. The chapter also examines the organisations responsible for training personnel and the extent to which they meet its training needs.

The chapter is divided into the following sections:

- (a) The Employment Content and Training Organisations of the Tourist Industry.
- (b) The Training and Recruitment Problems of Personnel in the Hotel and Catering Sector.
- (c) The Employment Content of the Tourist and Travel Services Sector.
- (d) The Training Problems for Personnel in the Tourist Industry.
- (e) The Types of Policies that Govern the Recruitment and Training of Personnel in the Industry.

The evidence provided in this chapter suggests that in New Zealand there is a shortage of trained personnel in the industry. One reason for this is the nature of recruitment and employment of personnel in the industry. Another reason is the social fact that some jobs in the tourist industry, especially in the food and catering sector, in particular those of bartender, waiter and waitress, are regarded as low-status occupations in New Zealand. Another reason is that the training institutions are not equipped to meet the full training requirements of personnel in the tourist industry.

One pre-requisite for tourist development is the effective utilisation of human and financial resources to meet the needs of the industry. This would include manpower training to service these needs. In New Zealand, however, the policies governing personnel training for the industry are lower priority policies in contrast to policies governing the training of social welfare workers, nurses or engineers. The general framework of government policy for tourist industry personnel training is based on subsidies and incentives. These have not been effective in providing for the full financial training needs for personnel in the industry.

3 The Employment Content and the Training
Organisations of the Hotel and Catering Sector

The restaurant and hotel sector of the tourist industry is a high content employment sector. In 1979 it provided employment for 16,379 people²⁴². The table (xxvii)²⁴³ below shows the number of people employed between 1974 and 1979.

Table (xxvii)

Employment Data on Restaurants and Hotels in New Zealand

Year	Male	Female	Total
April			
1974	7,317	9,768	17,085
1975	7,305	9,653	16,958
1976	7,188	9,594	16,882
1977	6,992	9,244	16,236
1978	8,999	9,138	16,137
1979	7,071	9,308	16,379

Over 50 percent of those employed in the sector are women²⁴⁴. Some areas, such as housekeeping, are dominated by women²⁴⁵.

²⁴² Report of the Personnel and Training Committee, Tourism Advisory Council, op.cit., 1978, p.17.

²⁴³ Monthly Abstract of Department of Statistics, Department of Statistics, Wellington, New Zealand, June 1980, p.19.

²⁴⁴ Ibid.

²⁴⁵ Report of the Personnel & Training Committee, op.cit., 1978, pp.27-29.

One prominent feature of employment in the accommodation and sector is the high content of untrained and unskilled people. In the area of chefs and cooks, for example, New Zealand traditionally depended on overseas trained chefs who were recruited under the migrant labour scheme. But present immigration policy restricts this area of migrant recruitment since New Zealand now has a fully developed chef training programme and the hotel and catering sector no longer depends on overseas recruited chefs. Restaurant and bar personnel are often employed on casual and part-time basis. They are mainly recruited from Australians on working holidays and students on summer vacations.

In a survey conducted by the Personnel and Training Committee of the New Zealand Tourism Advisory Council²⁴⁶ in 1977-78 on four Auckland, Wellington, Christchurch and Rotorua hotels, 67 percent of the personnel interviewed indicated that they had had no training prior to their employment. In the same survey, 81 percent indicated that they have never been asked by management whether they wished to attend any training course. Over 80 percent of hotels employ fewer than 50 percent full-time workers and only 5 percent employ 100 percent full-time.

At the management level of the accommodation sector there is a shortage of highly trained and qualified staff. New

²⁴⁶ Ibid.

Zealand still depends largely on overseas trained managers to manage some of the large tourist hotels²⁴⁷. It was not until February 1977 that a Diploma in Hotel and Catering Administration was introduced for the first time in New Zealand as a training course by the Central Institute of Technology. It is, however, accepted by business groups in the accommodation and catering sector that this course will probably not provide the total requirements for the management level of the sector. This shortage is generally due to students dropping out of the course and the likelihood that many graduates will seek overseas experience prior to taking up positions in New Zealand²⁴⁸.

The Central Institute of Technology also offers a twelve week course in hotel management. This course has been supported by several of the large hotel companies but is not popular with all employers due to high costs involved in sponsoring staff to attend. There is also criticism of the standard of tutors provided.

There is also a hotel and motel management course available from the International Correspondence School, but this course is not recognised by the Hotel and Catering Industry Training Board, nor by any of the major hotel companies.

²⁴⁷ Ibid.

²⁴⁸ Ibid.

Since the establishment of the Hotel and Catering Industry Training Board in 1974 it has been running short courses ranging from one to five days duration, which cover the various aspects of hotel management. The Board is established to be responsible for providing training programmes required by the personnel of the hotel and catering sectors. Its main functions are to develop and promote the orderly training of hotel and catering personnel to meet the needs of these services. The Board also functions as an interface between industry training and educational training institutions and also co-ordinates the use of training facilities and services.

Other functions of the Board include the quantitative classification of hotel and catering occupations, and through this function it assesses the manpower needs of this sector and takes steps to ensure that the manpower is available when required. It also identifies and formulates career structures for the hotel and catering sector (see Appendix G - the Hotel and Catering Sector Career Path).

Although the Hotel and Catering Industry Training Board programme is helping to reduce the shortage of trained personnel in this sector, the numbers under training still fall short of the demand for qualified personnel. For example, in the chef training programme, a total number of 255 trainees was enrolled in 1978 in the five major

technical institutes²⁴⁹ (see Appendix E for details on intake for training programmes).

Many new graduates tend to go overseas to take up appointments in order to gain a wider experience and also because of more attractive wages, thus there is still a shortage of trained chefs. For this reason, the majority of hotel catering staff, particularly at the management and supervisory level, would require training within industries and through short term on-the-job training programmes.

C Training and Recruitment Problems of Personnel in the Hotel and Catering Sector

One problem in recruiting personnel for this sector is that of low status occupation. With the exception of jobs at the management level, all other positions in the hotel and catering sector occupy a low status as jobs in New Zealand. Chefs and receptionists are, in some instances, regarded as rewarding positions that require skills, but bartenders, waitresses, waiters, chambermaids, launderers, kitchenhands and caretakers are regarded as low status occupations. These services, however, are the largest employment services in the hotel and catering sector. They are regarded as

²⁴⁹ Hotel and Catering Industry Training Board Information Release, 1978. The total figure for the number of chefs required to be trained annually is not available.

unskilled and as New Zealand is a skilled-person orientated country, most people tend to aspire to work in technically skilled industries rather than in the hotel and catering services. In fact, there has been a case in New Zealand against the development of the south-west coast for tourism purposes because people in the region felt that they did not want their children to grow up and become waiters and waitresses. Many New Zealanders see hotel jobs not as services but as servitude. This concept of the inferiority of hotel work could conflict with national pride, especially when service of this kind is for foreigners.

The way to increase the occupational status of hotel and catering personnel is through increased training, increased career opportunities and salary incentives that enhance social mobility and the education of job seekers towards an acceptance that tourism service is not servitude; that serving other people is an honourable job. The development of such an attitude, however, would require national education on the benefits associated with such career paths.

In 1980 the ordinary salary level of restaurant hotel workers in New Zealand was below the national average. For example, in the licensed hotels, the average weekly wage for such workers is \$129.57²⁵⁰ in contrast to the average

²⁵⁰ Supplement Tables to the Labour and Employment Gazette, Half-Yearly Employment Information Survey, Department of Labour, February 1980, p.6.

general weekly wage of \$178.37.

Another problem for personnel recruitment into the hotel and catering sector is the lack of job security. Recruitment of personnel is not controlled by government and does not require prior training. For these reasons, employers tend to utilise more casual and part-time labour. One problem posed by this form of labour is that people tend to take up jobs in the sector on a temporary basis. Consequently, career paths in the sector are seen as limited. In a survey carried out by the Personnel and Training Committee of the Tourism Advisory Council in 1977-78 on hotel employees, the result showed that 87 percent of those surveyed indicated that they wanted job security, while 62 percent indicated that they had job security²⁵¹. In the same survey, 78 percent indicated that they had never been asked by management whether they would like to be considered for promotion while 24 percent of the staff surveyed said that they had been asked this by management. Of those interviewed, 30 percent claimed that they had indicated to management a desire to be considered for promotion, while 66 percent indicated that they had never asked management to consider them for promotion²⁵².

These problems of personnel recruitment and training,

²⁵¹ Report of the Personnel and Training Committee, op.cit., 1978, p.29.

²⁵² Ibid., p.28.

highlighted in the accommodation and catering sectors of the New Zealand tourist industry, suggest that there is a need for the formulation of policies to support and increase personnel training programmes which would provide job security and a more positive career outlook.

Accommodation and catering is a growth sector. Presently it employs 32,700 people. The 1978 Personnel and Training Committee projected that at a growth rate of 3.8 percent, the employment level of the sector would rise to 33,930 in the next five years, and in the next ten years it would rise to 35,110, at a growth rate of 7.1 percent²⁵³. The following table (xxviii)²⁵⁴ shows the levels of employment in the accommodation and catering sectors of the New Zealand tourist industry, with five and ten year projections.

The figures indicate that the personnel employed in the licensed hotel sector will continue to decline in the next ten years to a low level of -7.2 percent²⁵⁵. This reduction in personnel numbers is not a sign of a decline in the sector but rather a reflection of the changes in management strategy and catering technology. Buffet-type meals with self-service facilities are causing redundancy of the waiters and waitresses whose traditional function

²⁵³ Ibid.

²⁵⁴ Ibid, pp 13-17.

²⁵⁵ Ibid, p 15.

Table (xxviii)

New Zealand Tourist Accommodation and Catering Sector
Employment Level and Percentage Projections 1978-1980

Sector	Present Level	Five Year Projection	Percentage Growth	Ten Year Projection	Percentage Growth
Hotels	13,000	13,770	-1.8	12,062	-7.2
Motels	5,580	5,590	18.1	7,450	33.5
Licensed Restaurants	13,320	14,570	5.4	15,600	12.9
TOTAL	32,700	33,930	3.8	35,100	7.4

has been to service formal meals. Most large, modern hotel operations are now serving buffet-type meals which reduce the functions of waiters and waitresses to merely setting and clearing the tables.

In contrast to the decline in the employment level of the hotels there is an increase in employment levels in the motel and licensed restaurant sectors. At present the employment level of the motel sector is expected to increase by 18.1 percent in the next five years and by 33.5 percent in the next ten years²⁵⁶. The factors responsible for

²⁵⁶ Ibid.

growth in the motel sector are numerous. The major reasons have been the shortage of tourist accommodation in the 1960's, the growth in overseas visitor arrivals, and the increase in domestic tourism in the last ten years.

The growth of the licensed restaurant sector has been mainly due to the increased numbers of people who dine out as part of their night-out entertainment. Many overseas tourists also tend to explore local restaurants instead of having all their meals in their hotels, which generally serve more expensive menus.

The growth in the employment level of the hotel and catering sectors shows that there is a need for personnel training programmes for chefs and hotel managers. There are no training courses for motel management in New Zealand, apart from a short 12-week training programme on hotel and motel management and a 4-week hotel reception certificate. There is also a series of short management seminars organised by the New Zealand Motel Association in various localities, but these programmes are not designed for a certificated career path.

The growth of the motel industry, particularly the participation of large motel chains such as Travelodge and Flag Inns, shows that personnel training at management level in the motel industry is a present need. Traditionally, New Zealand motel operations have been largely a family business with the husband serving as motel manager

and the wife as housekeeping manager. In some cases the manager is the cashier and receptionist, with little or no knowledge of motel management or business accounting. This feature of the motel industry is still dominant in New Zealand.

The owner-manager characteristic of the motel sector poses a particular training and recruitment problem. It means that motel owner-managers cannot leave their establishments for long periods of time for training purposes. They cannot afford the cost of closing down and attending long training programmes. Short package courses in the form of frequent seminars on motel management should be made available to owner-managers. But for the efficient operation of motels in the future, trained qualified personnel would have to be recruited. In the future, motels without qualified managers will find themselves in a less competitive position to those motel companies with personnel trained in business management. This same conclusion is applicable to the management needs of the hotel sector.

D The Employment Content of the Tourist and Travel Services Sector

The growth and expansion of the tourist industry are significant determinants of the level of employment and types of training that would be required by the personnel in the travel and tourist services sector. In this section

of the chapter the employment content of these sectors in New Zealand and the types of training programmes available for the personnel involved will be examined. Special attention will be paid to the role of the New Zealand Travel Industry Training Council as the main body responsible for the training of personnel for these sectors.

The travel and tourist sectors are made up of the following services: airline and other air services, coach tours and rental vehicle services, railways and travel agencies, and tour operations. In planning for the personnel requirements of these services, one problem to bear in mind is that some of these services do not cater for tourists alone, for example, the railway, rental vehicles and airlines also cater for non-tourists.

It is estimated that 22,600 people are currently employed in the travel and tourist services in the New Zealand tourist industry²⁵⁷. The following table (xxix)²⁵⁸ shows the current employment levels and projections for the next five and ten years for certain services related to travel and tourist services.

²⁵⁷ Ibid, p.14.

²⁵⁸ Ibid, p.17.

Table (xxix)

Employment Levels and Projections
Travel and Tourist Services 1978-1988

Sector	Operative	Supervisory	Management	Total
AIRLINES				
Current (1978)	10,404	428	168	11,000
In five years	14,245	586	229	15,060
In ten years	17,551	722	282	18,558
RENTAL VEHICLES				
Current (1978)	641	141	118	900
In five years	1,254	276	282	1,768
In ten years	1,867	411	346	2,624
TRAVEL AGENCIES				
Current (1978)	3,100	338	562	4,000
In five years	4,558	501	823	5,882
In ten years	6,051	662	1,087	7,764
TOURIST SERVICES				
Current (1978)	4,501	665	481	5,650
In five years	5,473	805	585	6,865
In ten years	6,443	957	688	8,082
PUBLIC RELATIONS AND INFORMATION				
Current (1978)	84	20	46	150
In five years	128	31	70	229
In ten years	172	42	94	308

It is estimated that in the next five years employment in the airline sector will increase to 15,060, that is, a 37 percent increase; and by 1988 the employment figure for this sector will increase to 18,558, a 74 percent increase. These figures are based on the 1977 industry growth rate of 8 percent²⁵⁹ (see Appendix for details on personnel requiring training in the travel and tourist services).

There are specialised training facilities for personnel in the travel and tourist services. The Civil Aviation Industry has its own training board for airline pilots and other air transport related personnel. The New Zealand Travel Industry Training Council is the body responsible for providing training programmes for other personnel in the travel and tourist services.

The Council was established in 1975 as a sub-board of the Hotel and Catering Industry Training Board, but this arrangement was later thought to be unsatisfactory. The initial arrangement subjected submissions made by the Council to examination by the Hotel and Catering Industry Training Board before they were submitted to the Vocational Training Council, which is the parent body. In 1978 the Travel Industry Training Council was removed from the sub-board arrangement with the Hotel and Catering Industry Training Board, but the Vocational Training

²⁵⁹ Ibid.

Council has not yet decided whether the Travel Industry Training Council should continue its separate status*. There are suggestions from the Vocational Training Council that the Travel Industry Training Council should be amalgamated with the Aviation Industry Training Board. The TITC is opposed to these suggestions. Its view is that the new moves are incongruous with the purpose for which the Council was established, that is, to provide services to the tourist industry, with emphasis on the "tourist content" of training²⁶⁰.

The main function of the Travel Industry Training Council is to raise the standard of competence and efficiency of all those engaged in the travel and tourist service through training and education. It is also responsible for identifying, by survey and research, the educational and training needs for all the staff required in the travel and tourist services. It also develops training courses and education programmes designed to meet the staff needs of personnel in the sector.

The training programmes provided by the TITC are mainly focused on the personnel requirements of the tourist services. It offers training courses on travel business management, travel marketing, tourist service skills,

²⁶⁰ Travel Industry Training Council⁺, Report of Activities for the Year Ended 31 March 1978, p 5. The Travel Industry Training Council amalgamated with the Civil Aviation Training Board in 1981 to form the Civil Aviation and Travel Training Board.

salesmanship, tour drivers' service and travel organisations and travel operations. These are usually conducted in the form of short off-the-job courses in several locations around the country.

The Training Council also encourages young employees in the travel industry to study for the New Zealand Certificate of Commerce (travel option) offered by the Central Institute of Technology. In 1977 a record number of 134 students were studying toward the NZCC (travel option), of which 20 were in fourth and final year levels²⁶¹. The Council has recently introduced the International Air Transport Association and the Universal Federation of Travel Agents and Association (a world organisation of national trade associations of travel agents) professional passengers' agents diploma course. This course is now available to students doing the New Zealand Certificate of Commerce, Stage III.

In the short training courses offered by the TITC, industry has shown a keen interest. When the programme was started in 1976 only 23 courses were offered and 345 people attended. In the 1977-78 period, the courses offered were increased to 30 and 529 people attended. For the 1978-79 programme the TITC has planned to offer 40 courses, some of which will be held in towns and resort areas not

²⁶¹ Travel Industry Training Council, 1978 Report, op.cit., p.4.

served in the past²⁶².

Despite the increasing popularity of the training programmes offered by the TITC and despite the recorded increase in the number of students enrolled in the New Zealand Certificate of Commerce (travel option), the output of trained personnel still falls short of the number that require training. The total estimated staff requiring training in travel and tourist services at present is 8,674. The estimated total that require training in the next five years would be 15,086. Assuming that each person did only one course once, approximately 3,017 personnel would need to be trained annually to meet the demand for trained personnel for the projected five years. The present training capacity of the TITC is approximately 550 personnel per annum on short courses and output from the NZCC travel option is approximately ten graduates per annum.

Although the TITC is not equipped to meet all the personnel training needs of the travel and tourist services, the training programme it offers and participation of personnel from these services are significantly reducing the shortage in these sectors. The TITC training programme and the NZCC travel option are largely designed for personnel who are at the supervisory and management level and for those hoping to enter at these levels, although short

²⁶² Ibid.

programmes for tour drivers are also offered.

Nearly all the students who attend the TITC training programmes come from travel agencies and tour companies as well as local resort sightseeing and information bureau staff. The TITC training programme is considered by employers and students as effective. In its 1978-79 training programme courses achieved an average rating of 79 percent for student interest and 77 percent for value to the student's job. Employers' assessment of the effectiveness of the course showed that over 80 percent of all students and employers considered that the course objectives had been met²⁶³.

E Training Problems for Personnel in the Tourist Industry

There are certain problems in New Zealand concerning the training of personnel for the tourist and travel services. One chronic problem is associated with personnel recruitment. There is little public knowledge about the types of career opportunities in the industry. The majority of personnel in the tourist industry have not received any formal pre-employment industry training. The tendency among employers is to employ untrained people and provide them with on-the-job training. This is also characteristic of accommodation and catering services and of sales and counter

²⁶³ Ibid.

staff in travel agencies. The provision of training programmes through the Central Institute of Technology, the Hotel and Catering Industry Training Board, and the Travel Institute Training Council is changing the trend towards more training for the personnel in the industry, but there is still a need for career opportunities in the sector to be publicized.

The problem of personnel recruitment for the tourist and travel service is associated with the lack of job status in the industry. Because of the tendency to recruit untrained personnel, the public tend to regard the industry as an unskilled industry and jobs are therefore regarded as low status in contrast to jobs in other sectors, for example, the engineering or chemical industries. This problem is further accentuated by the fact that the bulk of personnel in the operative services are semi-skilled or unskilled; there is a widely held view that anyone can be a counter-clerk. The management level is fairly isolated and few people aspire to train to be travel managers. This image of the industry has a negative effect on public attitudes and makes personnel recruitment a problem. In order to facilitate personnel recruitment there is a need to publicize career opportunities within the industry and to show that skills are required for certain occupations within it. Trained personnel are required in financial accounting, business management, personnel management, marketing and sales management, publicity, promotion and advertising management, to name a few examples. At present

the New Zealand tourist industry is very short of qualified trained staff in these specialised fields.

Another problem of personnel training that characterizes the New Zealand tourist industry is that most of those who require training are already placed within the industry as employees or employers. This makes it difficult to release employees to attend long training programmes. There are also cost factors involved and the industry would have to meet part of the cost of the personnel training, but it tends to be reluctant to do so.

5. The Types of Policies Governing Personnel Recruitment and Training for the Industry

The New Zealand government, through the Vocational Training Council and its various boards, is responsible for the provision of training programmes for all industries and provides the bulk of the financial cost for training personnel. It also provides incentives to employers to release their personnel for training. For example, the Vocational Training Council Act 1968 provides for Parliament to appropriate a grant to the Council. This grant is appropriated to the training boards according to their needs. The basic grant to industrial training boards is 90 percent of the administrative cost of the boards with a current maximum grant of \$18,000 per annum for each executive training officer employed. In addition, the Council may

make grants from a special discretionary fund for specific projects.

Several training incentives are also provided by the New Zealand government. For example, five training incentives were introduced in the 1974 Government Budget, namely:

- (a) Group training
- (b) Industrial relations training
- (c) Supervisory training
- (d) Off-job training for the trades and
similar vocations
- (e) Training trainers

These incentives are administered through the Department of Labour in association with the Vocational Training Council and other agencies concerned. The objectives of these training incentive programmes are to improve the quantity and quality of skills in the community for the benefit of the community; to assist in spreading the cost of training across the community rather than having it borne by the employers; and to provide for a more effective and economic use of training services available within the community²⁶⁴.

The Vocational Training Council functions as an advisory

²⁶⁴ Major General L A Pearce and Mr R C Stuart, Impact of the Vocational Training Council and Industry Training Board on New Zealand Industry, Vocational Training Council, Wellington, New Zealand, 1978, pp. 13-15.

body for the training schemes and programmes. The Council is serviced by a special training Incentives Committee composed of representatives from the Department of Labour, Treasury, Department of Education and the Vocational Training Council. Its function is to consider and recommend suitable training schemes.

The Group Training Incentive Scheme²⁶⁵ is designed to improve the skill and therefore the productivity of employees at all levels and particularly new employees. The incentive offers a \$2 for \$1 subsidy to employers per group trainer and on a pro-rata basis for shorter term courses to cover the salary and wages of trainers with a maximum subsidy of \$3,500. The incentive includes the travelling expenses and overheads of the trainer with a maximum subsidy of \$2,000. This incentive is intended to encourage employees or groups of employees with similar training needs to combine for joint training programmes and to assist smaller companies that do not have a special training service²⁶⁶.

The Industrial Relations Training Incentive Scheme offers a grant to sponsoring employers or unions by meeting two-thirds of their accommodation expenses with a maximum subsidy of \$10 per diem. It offers a grant to the organising body of two-thirds of accommodation expenses with a maximum of \$10 per

²⁶⁵ Ibid, p.13.

²⁶⁶ Ibid.

dien. It also offers to meet two-thirds of the travel expenses of the course lecturers and tutors. The training is aimed at senior management, senior personnel staff and trade union officers²⁶⁷. The supervisory training and off-the-job training for the trades and similar vocation schemes offer the same incentives²⁶⁸.

Despite these incentives, the training programmes, although relevant in content, are largely provided on an ad hoc basis and, due to lack of capacity, are unable to provide adequately for the training needs of the two sectors of the tourist industry, namely the tourist accommodation and catering sector and the travel and tourist services sector.

The lack of capacity to expand the training programmes is largely due to the shortage of finance. Incentives granted by government had, in the past, fallen short of the amount needed and applied for. For example, in 1976-77 and in 1977-78 TITC applications for increased finance met with opposition from the VTC²⁶⁹. Continued delays in the processing of incentives by the various government authorities involved has in the past limited the ability of the TITC to provide the personnel training needs of the travel and tourist services. Areas where incentives are being

²⁶⁷ Ibid, p.14.

²⁶⁸ Ibid, p.15.

²⁶⁹ Bulletin, Magazine of the New Zealand Institute of Travel, No. 24, June 1978, p.6.

restricted include supervisory training skills, tour drivers' training, rental vehicle industry training, and tourism reception skills. The TITC has pointed out that, because of continued disregard by government, manager training is still a major area of weakness. Other areas of weakness include training staff motivation, business profitability, basic accounting and marketing skills²⁷⁰. At present the Council is staffed by one executive officer who acts as the director, and a secretary.

Conclusion

The evidence and facts cited in this chapter highlight the problems of personnel recruitment and training for the major sectors of the New Zealand tourist industry. Despite the various types of incentives provided by the government, training centres still find it impossible to provide all the qualified personnel required by the industry.

Several factors have been identified as the major causes of the problem of the shortage of qualified and trained personnel. These are mainly job insecurity, low status job image, lack of knowledge about career opportunity, and the traditional and still dominant tendency to recruit untrained and casual or part-time workers in the various services in

²⁷⁰ Ibid.

the industry.

The evidence also shows that the two bodies responsible for personnel training for the hotel and catering services and for the tourist and travel services, namely the Hotel and Catering Industry Training Board and the Civil Aviation and Travel Training Board, are not fully equipped to produce the numbers of trained personnel required by the two major sectors of the industry for which they cater. These training bodies are not administratively equipped to plan and manage large scale training programmes. Thus, the majority of the training programmes are ad hoc courses run on short-term basis.

Tourism development and administration, defined as the effective integration of human, financial, and physical resources toward the maximisation of benefits, entail the full use of the industry as an employment sector. The tourist industry is a sophisticated industry with particular skill requirements. These skill requirements are obtainable through training. Training is an organisational function. In order for training to be effective, the organisations responsible for it require adequate resources. These include human, financial, and other resources as well as effective recruitment and training policies.

PART III

Fiji

INTRODUCTION

In Part II of this thesis, the effects of government tourism policies in New Zealand were analysed and evaluated in order to determine the nature and extent to which they contributed towards the development of the tourist industry. In Part III of this thesis, government tourism policies in Fiji are subjected to the same framework for analysis and evaluation. The Fiji case study, however, does not include a study of national parks because there are none in Fiji, although there have been proposals for the creation of a national park in that country.

One area of tourism environmental impact which concerns the government is the destruction of the coral reefs. Coral reef products are a popular handicraft souvenir among tourists to Fiji. The impact of tourism on the marine environment is an area where more research needs to be carried out.

Another area of concern is the social impact of tourism in Fiji. There is a need for research into the relationship, if any, between tourism development and increasing crime rates, prostitution, alcoholism and other social problems which tend to be blamed on tourism.

The tourism sectors studied in this section are:

Tourist Accommodation

Tourist Air Transport Services

Promotion and Marketing

Tourism Employment and Personnel Training.

CHAPTER 8

A HISTORICAL BACKGROUND TO THE DEVELOPMENT OF THE TOURIST INDUSTRY IN FIJI

A Introduction

The purpose of this chapter is to give a brief historical background to the development of the tourist industry in Fiji and the extent of government involvement since the early part of the twentieth century.

The chapter further examines the growth trends of the tourist industry up to the 1980's as well as the economic significance of the industry and the problems associated with its development in Fiji.

The chapter is divided into the following sections:

- (a) Historical Background of Tourism Development in Fiji.
- (b) Growth Trends of the Tourist Industry.
- (c) Tourism and the Economy.
- Conclusion.

3 Historical Background of Tourism Development in Fiji

Fiji consists of over 100 islands which cover an area of 18272.4 square kilometres in the South Pacific. It is a multi-racial society with a total population of 627,526 (as at 31 December 1979), of which 318,166 are of Indian origin and 279,187 of Fijian or Melanesian origin, that is, over 50 percent of Fiji's population are of Indian origin²⁷¹.

The first Indian migrants came to Fiji from India as coolie labourers or indentured labourers in 1879. This was a common British colonial practice as it was done in South Africa in the 1840's. Fiji was officially ceded to the British Crown in 1874. By then there were already colonial settlers of British origin involved in cane production as well as colonial public servants. Fiji remained a British colony until October 10, 1970 when it became an independent nation. Fiji was the first South Pacific nation to become a member of the United Nations and the Commonwealth of Nations.

The development of the tourist industry in Fiji began in the early part of the twentieth century. Colonial settlers were keen to develop the economy of Fiji and the tourism potential of the colony was recognised as early as 1905.

²⁷¹ Current Economic Statistics, January 1982, Bureau of Statistics, Suva, Fiji, p.4.

By this date hotel proprietors were advertising their services in the Fiji Times²⁷², a local daily newspaper. A few examples included Ather Stone Boarding House in Suva, the Club Hotel in Suva and the Polynesian Hotel in Levuka²⁷³. The tourists visiting Fiji at that time came by steamship liners en-route to New Zealand or Australia, or returning to North America and Britain. Some examples of steamship companies that operated to Suva were the Canada-Australian Royal Mail Line, Australasian United Steamship Company Limited and the Union Steamship Company of New Zealand²⁷⁴.

By 1915 a tourist bureau had been established in Suva with a subsidy of fifty pounds per annum to help finance its operations²⁷⁵. Other funds for the bureau came from voluntary organisations. During World War I this subsidy was dropped as part of a cost-cutting measure by the colonial office for the war effort. In the early 1920's, however, members of the colonial legislative council were strongly advocating for the re-establishment of a central bureau where visitors to Fiji could obtain information. The Suva Chamber of Commerce was also interested in more government involvement with tourism development and had suggested direct government funding of the Tourist Bureau in

²⁷² The Fiji Times, 1 July 1906.

²⁷³ Ibid.

²⁷⁴ Ibid.

²⁷⁵ Colony of Fiji Legislative Council Debate, Volume, 1919, Government Printer, Suva.

1923²⁷⁶. By then the Tourist Bureau was financed from voluntary contributions.

The colonial government, however, was not prepared to commit its limited funds to tourism development at that time. Instead, it used a 10 percent tax increase on commercial licences to finance the Bureau, a move which was not popular with the commercial sector. In 1925 the colonial government introduced a 5 percent licence tax on all commercial enterprises to finance the Bureau²⁷⁷. It also voted two hundred pounds to the Bureau for tourism publicity and appointed a Tourist Publicity Board to control the Bureau's funds²⁷⁸. In that year the Bureau published a handbook on Fiji for the Dunedin exhibition in New Zealand. In this early colonial period, however, the colonial government preferred to give priority to agricultural development, particularly sugar and bananas, rather than spending its funds on tourism development.

The involvement of the colonial government in the development of the tourist industry in Fiji began in earnest during Fiji's Fourth Development Plan, 1960-65. In this plan tourism was given a priority as part of the economic diversification programme for Fiji before it became

²⁷⁶ Colony of Fiji Legislative Council Debate, Volume, 1925, Government Printer, Suva, 1926, pp.112-115.

²⁷⁷ Ibid.

²⁷⁸ Ibid.

independent. During Development Plan IV, the colonial government took measures to aid the development of the industry. In 1964, the government passed the *Hotel Aid Ordinance*²⁷⁹. This was the first legislation in Fiji designed specifically to aid and encourage the growth of tourist accommodation. This legislation and its effects are discussed in Chapter 9 in more detail.

Another significant measure taken by the last colonial government to aid the growth of the tourist industry was the passing of the *Tourist Commission and Fiji Visitors' Bureau Ordinance* in 1969²⁸⁰. The details of this legislation and functions of the Bureau are discussed in detail in Chapter 10. This Ordinance was passed:

to encourage and develop the Fijian tourist industry and traffic to, within, and beyond Fiji, taking into consideration at all times the true cultures and customs of the peoples of Fiji.

Apart from these two legislations, the government also established the Fiji National Training Council in 1973²⁸¹.

²⁷⁹ *Hotel Aid Ordinance, No.35 of 1964*. Reprint authorised by the Attorney-General under the provisions of Section 68A of the Interpretation Ordinance, 1967.

²⁸⁰ *The Tourist Commission and Fiji Visitors' Bureau Ordinance, No.,49 of 1969, The Legislature of Fiji.*

²⁸¹ *Fiji National Training Council Act, No.10 of 1973, Parliament of Fiji.*

The Council's first step was to establish a Hotel and Catering Industry Training Board, consisting of representatives from employers and government. The main function of the Board is to identify training needs, to decide on the priority areas, and to approve training programmes for the hotel and catering services.

Other forms of government aid to the tourist industry in Fiji are concessions given in the import of tourist goods and equipment, and tax concessions. A significant proportion of imports consisting of capital goods, raw materials and duty-free items are allowed to enter Fiji at a lower rate than the prevailing rates of duty. This is in accordance with the government's policy to encourage growth in the industry and to attract foreign investments.

C Growth Trends of the Tourist Industry

As suggested earlier, tourism in Fiji began in the early part of the twentieth century. By 1933 Suva was considered an established cruise port by Australian travel companies²⁸². In 1936 the Latoka Hotel was opened and the Grand Pacific Hotel, which belonged to the Union Steamship Company, expanded its accommodation capacity to include a two-storey

²⁸² The Fiji Times, August 1939.

extension²⁸³. In 1939 a new hotel was opened at Tavuni²⁸⁴.

Visitor arrivals to Fiji also increased in the 1930's. For example, in 1937 eleven vessels engaged in cruises brought in 6,426 visitors to Suva²⁸⁵. In that year 1,328 visitors came to stay for a week or longer²⁸⁶. In 1938 17,580 visitors passed through the port of Suva. In the same year 5,000 cruise visitors came to Suva and stayed on port for one or two days, while 1,390 visitors stayed more than a week²⁸⁷.

Visitor arrivals continued to increase after World War II. The use of Nadi Airport at this time by commercial airlines accelerated the rate and volume of visitor arrivals in the country. In 1953 16,013 international air travel passengers passed through Nadi Airport²⁸⁸. This figure increased to 25,514 in 1956²⁸⁹. By 1964 over 90 percent of total visitor arrivals to Fiji came by air.

The tourist industry in Fiji has, in the latter part of the 1960's and the early 1970's, enjoyed rapid and substantial

²⁸³ The Fiji Times, November 1939.

²⁸⁴ Annual Report on the Social and Economic Progress of the People of Fiji, No 1881, 1937, Her Majesty's Stationery Office, 1938.

²⁸⁵ Ibid.

²⁸⁶ Annual Report on the Social and Economic Progress of the People of Fiji, No 1910, 1938, Her Majesty's Stationery Office, 1938.

²⁸⁷ Ibid.

²⁸⁸ Fiji - Report for the Year 1955, Her Majesty's Stationery Office, London, 1956, p. 71.

²⁸⁹ Ibid.

increases in visitor arrivals, but since 1973 this has slowed down and in some years the number has actually shown a decline. The following table (xxx)^{29 0} shows visitor arrivals in Fiji from 1965 to 1977.

Table (xxx)

Visitor Arrivals In Fiji 1965-1979
(Excluding Cruise Liner And Through Passengers)

Year	Number of Visitors	Percentage Change Over Previous Year
1965	40,135	28.0
1966	44,561	11.0
1967	56,021	25.7
1968	66,458	18.6
1969	85,163	28.1
1970	110,042	29.2
1971	152,151	38.3
1972	165,644	8.9
1973	186,323	12.5
1974	181,079	- 2.8
1975	161,707	-10.7
1976	168,665	4.3
1977	173,019	2.6
1978	184,063	6.4
1979	188,740	5.2
1980	189,999	0.7

^{29 0} Current Economic Statistics, Volumes 1965-1982, Bureau of Statistics, Suva, Fiji.

It is significant to note that the growth in visitor arrivals experienced in Fiji in the latter 1960's and early 1970's was also experienced in other tourist destinations in the Pacific. Table (xxxi)²⁹¹ shows visitor arrivals in the Pacific in selected destinations.

Table (xxxi)

Visitor Arrivals In Selected
Pacific Destinations 1970-1975**

Year	Hawaii	Fiji	Guam	Tahiti	Australia	New Zealand
1970	1,747,000	110,072	73,723	48,809	-	190,869
1971	1,819,000	152,151	119,124	63,222	388,660	227,500
1972	2,244,000	165,644	185,390	69,165	426,403	254,644
1973	2,631,000	186,323	241,146	77,988	472,124	318,244
1974	2,786,000	181,079	260,568	84,615	532,683	361,194
1975	2,829,000	161,707	260,237	82,822	516,023	384,586

These figures show that in the first part of the 1970's there was a general increase in visitor arrivals in the Pacific region. One major factor responsible for this increase was the introduction of more jet services in the Pacific by 1967.

²⁹¹ These figures are collected from the statistical reports and national tourism reports of these destinations.

By 1974 the Fiji tourist industry began to experience a decline in the rate of visitor arrivals. For example, the rate of arrivals declined from 38.3 percent in 1971 to 8.9 percent in 1972. It further dropped from 12.5 percent in 1973 to -2.8 percent in 1974 and then again to a record low of -10.7 percent in 1975.

There are several reasons cited in Fiji's Development Plan VI 1976-1980 for the decline in rate of visitor arrivals experienced between 1973 to 1976. These are: the 1972 oil crisis and consequent economic recession in Fiji's tourist markets, and the price competition from neighbouring tourist destinations^{29 2}. It is further claimed in the Development Plan VII, 1976-1980 that at the time when the number of American visitors to Fiji declined, the number of visitors from this source had actually increased in other South Pacific destinations, notably in New Zealand^{29 3}.

The information available on tourist arrivals in New Zealand, however, shows that the rate of visitor arrivals from North America during that period had actually declined from 5.1 percent in 1973 to 2.9 percent in 1974 and further declined to -11.8 percent in 1975^{29 4}. Tahiti also experienced a

^{29 2} Fiji's Seventh Development Plan, 1976-1980, Parliament of Fiji, Parliament Paper No 20, 1975, Central Planning Office, Suva, November 1975, p.108.

^{29 3} Ibid., p.168.

^{29 4} New Zealand Visitor Statistics, op.cit., 1976-1977, p.13.

a decline in the number and rate of visitor arrivals. Total visitor arrivals to Tahiti declined from 84,615 in 1974 to 82,822 in 1975, with a percentage decrease of -2.12 in 1975 over the previous year^{29 5}.

Visitor arrivals in Guam and the rate of arrivals during this period also showed a decline. Visitor arrivals dropped from 260,558 in 1974 to 260,237, a percentage change of -0.1^{29 6}. This information shows that it was not only Fiji that experienced a decline, although the rate of decline in Fiji between 1974 and 1975 was more severe.

In 1969, when the government established the Visitors' Bureau to be responsible for promoting Fiji's tourist industry, the Bureau was mainly funded from voluntary contributions from the private sector and government. The severe decline in the rate of visitor arrivals between 1973 to 1975 caused the private sector of the industry and the Bureau to make representation to the government to take up the responsibility of fully funding the activities of the Bureau in order to make its promotion role more effective^{29 7}. In 1977 the government began fully funding the activities of the Bureau and since then the number of

^{29 5} Office de Developement de Tourisme de Polynesie Francaise, Statistiques Touristique, Anne, 1978, p.1.

^{29 6} James Mak and Walter McKius, Guam's Visitor Industry: An Economic Assessment, Bureau of Planning, Economic Planning Division, Technical Report No 77-1, Agana, Guam, July 1977.

^{29 7} Fiji Visitors' Bureau, Annual Report, 1977, pp.1-3.

visitor arrivals and the rate of visitor arrivals have taken an upward trend. For example, between 1977 and 1979 total visitor arrivals in Fiji increased from 173,019 to 189,000 and in the twelve months to August 1979 the rate of visitor arrivals increased by 6.1 percent over the previous year²⁹⁸.

It is doubtful, however, that the increases in visitors and the rate of visitor arrivals recorded since 1976 were due to the fact that the government took over the funding of the Bureau's activities. In the chapter dealing with the role of the government in promotion, the role and effectiveness of the Fiji Visitors' Bureau are discussed in detail. It would suffice to mention here that the upward trend in visitor arrivals and the rate of visitor arrivals began in 1976, a year before the government began fully funding the activities of the Bureau. The percentage change in the rate of visitor arrivals actually decreased from 10.7 in 1975 to 4.3 percent in 1976. This percentage again declined from 4.3 in 1976 to 2.6 percent in 1977 and then increased by 6.7 percent in 1978²⁹⁹. This latter increase could be attributed to the massive promotional campaign launched by the Bureau in 1978³⁰⁰. It should be mentioned, however, that Fiji was not alone in experiencing a growth in visitor arrivals between 1976 to 1978. Tahiti also

²⁹⁸ Bureau of Statistics, Statistical News, No 15, October 1979, Suva, Fiji.

²⁹⁹ Fiji Tourism and Migration Statistics, 1978, Bureau of Statistics, Suva, July 1978, p.19.

³⁰⁰ Fiji Visitors' Bureau. Annual Report, op.cit., 1977, pp. 3-6.

experienced a rate of growth in visitor arrivals from -2.12 percent in 1975 to 11.07 percent in 1976 and again went through another decline of -2.56 percent in 1977, but this picked up again to 2.7 percent in 1978³⁰¹. Similarly, New Zealand experienced a decline in the rate of visitor arrivals from 6.5 percent in 1976 to -1.1 percent in 1977 and an increase of 2.8 percent in 1978³⁰². In other words, the trend in the rate of visitor arrivals was similar in Fiji, Tahiti and New Zealand during the 1976-1978 period. This trend was one of decline.

2. Tourism and the Economy

Tourism and its related services are among the most important economic activities in Fiji. Distribution, which includes such tourism services as duty free trade, retail and wholesale trade, hotel and restaurants, contributed \$F44.9 million to the GDP in 1977 (at a cost factor of constant 1968 prices). The following table (xxxii)³⁰³ shows GDP by industrial origin at factor cost at constant 1977 prices.

³⁰¹ Office de Developement de Tourisme de Polynesie Francaise, op.cit., 1978, p.1.

³⁰² New Zealand Visitor Statistics, op.cit. 1978-1979, p.10.

³⁰³ Current Economic Statistics, op.cit., 1982, p.8.

Table (xxxii)

GDP By Activity at Constant Prices of 1977 (at Factor Cost)

(\$000)

ACTIVITY	1977	1978	1979	1980(p)	1981(p)
<u>Agriculture, Forestry & Fishing</u>					
1.1 Crops: Sugarcane	61,977	59,591	80,936	67,757	76,697
Other Crops	23,201	21,711	21,635	22,057	22,987
TOTAL	85,178	81,302	102,571	89,854	99,684
1.2 Livestock Products	4,533	5,392	6,410	6,352	6,267
1.3 Fishing	4,569	5,072	6,085	5,505	7,275
1.4 Forestry	4,871	4,871	4,974	6,742	6,024
1.5 Subsistence	42,247	43,007	43,868	44,701	45,595
TOTAL 1	141,388	138,844	163,908	153,154	164,548
<u>Mining and Quarrying</u>					
	682	389	418	348	348
<u>Manufacturing</u>					
3.1 Sugar	23,999	23,005	31,357	26,253	29,634
3.2 Other Food, Drink & Tobacco	16,809	16,592	16,974	17,226	17,846
3.3 Other Manufacturing	26,432	29,055	30,792	32,519	33,331
3.4 Self-Employment	2,167	2,206	2,250	2,293	2,339
TOTAL 3	69,407	70,858	81,373	78,291	83,150
<u>Electricity, Gas and Water</u>					
	6,054	6,186	6,676	6,675	6,683
<u>Construction</u>					
	49,209	44,751	48,914	47,856	47,998
<u>Wholesale/Retail Trade, Restaurants and Hotels</u>					
6.1 Trade	84,896	85,329	98,717	94,617	99,940
6.2 Hotels, Restaurants, Cafés	19,753	21,225	22,380	21,987	21,217
TOTAL 6	104,649	106,554	121,097	116,604	121,157
<u>Transport and Communications</u>					
7.1 Transport	45,110	47,541	56,270	55,634	57,218
7.2 Communications	9,524	10,045	10,680	11,204	11,429
TOTAL 7	54,634	57,586	66,950	66,838	68,647
<u>Finance, Insurance, Real Estate & Business Services</u>					
8.1 Banks & other financial institutions	15,910	16,661	18,465	18,522	18,893
8.2 Insurance	8,184	9,002	8,559	9,779	9,975
8.3 Real Estate & Bus. Services	20,227	20,999	21,854	23,012	23,482
8.4 Ownership Dwellings	32,973	33,567	34,239	34,889	35,588
TOTAL 8	77,294	80,229	83,217	86,202	87,938
<u>Community, Social and Personal Services</u>					
Others n.e.c.	1,183	565	2,847	*842	*872
Less Imputed Service Charges	-15,850	-16,598	-18,396	-18,453	-18,822
ALL ACTIVITIES	605,826	611,513	679,864	662,459	668,160
Annual Percentage Change	+0.94	+11.18	-2.56	+3.68	
Per Capita GDP (\$)	1016.49	1007.43	1098.33	1049.86	1068.57
Annual Percentage Change in Per Capita GDP		-0.89	+9.02	-4.41	+1.78

(p) Provisional

* Residual

The tourist industry in Fiji has so far proven to be a viable means for economic diversification and its economic performance since the 1964 Hotel Aid Ordinance has been of vital importance to the economic development of Fiji. For example, while sugar exports brought in \$F93.6 million in foreign exchange earnings in 1977, tourist receipts that same year amounted to \$F80 million. In fact, in 1976 gross tourist receipts were more than sugar export earnings.

The following table (xxxiii)³⁰⁴ shows foreign exchange earnings from tourism in comparison with major exports.

The tourist industry in Fiji is a significant part of the national economy of the country. Gross tourist receipts in 1978 were \$F86.0 million. This was more than raw sugar export earnings of the same year, which were \$83.3 million³⁰⁵.

Tourist receipts accounted for 70.5 percent of total domestic exports in 1978³⁰⁶. In 1979 earnings from tourism were \$F104 million. This was an increase of 20 percent over the 1978 figure and made earnings from tourism the second most important sector in the Fijian economy³⁰⁷.

³⁰⁴ Fiji Tourism and Migration Statistics, op.cit., July 1980, p.41.

³⁰⁵ Ibid.

³⁰⁶ The Trade Report for the Year 1979, Parliamentary Paper No.5 of 1980, Parliament of Fiji, Bureau of Statistics, Suva, 1980, p.1.

³⁰⁷ Ibid.

Table (xxxiii)

Foreign Exchange Earnings from Tourisma Major Export Earnings 1971-1979 (\$ Million)

Year	Gross Tourist Receipts (1)	Major Exports			Total Domestic Exports (2)	Total Re- Exports (3)	Tourist Receipts as % of (2)	Tourist Receipts as % of (2 & 3)	Tourist Receipts as % of (1, 2 & 3)
		Sugar (FOB)	Coconut Products (FOB)	Gold (FOB)					
1971	33.	32.8	4.6	2.7	49.0	12.9	67.3	53.3	35.8
1972	37	34.3	2.6	4.0	52.1	13.8	71.0	56.1	36.0
1973	49.2*	34.3	6.1	5.7	52.1	21.5	94.4	66.8	40.1
1974	60.6	67.0	11.1	8.6	95.4	28.4	63.5	48.9	32.9
1975	69.0	94.7	5.1	8.6	115.9	26.3	59.5	48.5	32.7
1976	76.0	67.7	4.6	7.2	89.4	33.1	85.0	62.0	38.3
1977	80.0	93.6	8.9	6.6	123.0	39.8	65.0	49.1	33.0
1978	86.0	83.3	7.8	4.1	121.9	44.6	70.5	51.7	34.1
1979	104.0	116.9	7.4	3.9	167.6	47.5	62.3	48.5	32.6

Fiji suffers a balance of trade problem, however, and the tourist industry is a major contributor to this. Total imports into Fiji during 1979 were \$F392,363,580, which was 31.0 percent higher than the 1978 total of \$F299,997,189³⁰⁰. Total exports, including re-exports, amounted to \$F215,043,696, an increase of 29.2 percent over the 1978

³⁰⁰ Ibid, p.II.

total³⁰⁹. Fiji's trade deficit was \$F177,819,944 at the end of 1979, which was an increase of 33.2 percent over the 1978 deficit of \$F133,503,845³¹⁰.

The import of goods classified as "tourist goods" totalled \$F20,079,000 in 1979 which was an increase of 16.7 percent over the 1978 total of \$F17,201,006³¹¹. The following table (xxxiv)³¹² shows the value of imports of tourist goods in Fiji. It is estimated that an average of 90 percent of imports of tourist goods are sold across retail counters to visitors in the country as part of Fiji's invisible re-exports.

Tourist industry imports into Fiji, however, extend beyond these categories, which are the duty free goods. These include food, beverages, tobacco, machinery and transport equipment. The food import bill for Fiji in 1979 totalled \$F61,838,714. This figure increased to \$F76,551,000 in 1980. The import bill for beverages and tobacco totalled \$F3,851,000 in 1980, but increased to \$F4,522,000 in 1981. The machinery and transport imports bill amounted to \$F88,313,660 in 1980 and increased to \$F118,039,000 in 1981³¹³.

³⁰⁹ Ibid.

³¹⁰ Ibid, p VI.

³¹¹ Ibid, p IX.

³¹² Ibid.

³¹³ Current Economic Statistics, op.cit., Bureau of Statistics, Suva, op.cit., January 1982, p.60.

Table (xxxiv)

Value of Imports of Tourist Goods
(\$F000 c.i.f.)

Tourist Goods	1971	1972	1973	1974	1975	1976	1977	1978	1979
Radios, Radiograms & TV Sets	2,783	2,725	4,883	6,248	4,942	5,167	4,224	4,241	4,809
Photographic Apparatus	1,913	1,863	2,460	3,103	2,293	3,201	1,738	1,663	1,889
Gramophones, Record Players and Tape Recorders	1,962	2,120	3,357	4,260	2,019	2,612	1,745	2,562	2,159
Watches	2,429	2,418	3,192	4,920	3,854	4,981	4,583	3,040	4,317
Optical Instruments (Binoculars, etc)	166	244	284	340	445	669	324	123	120
Shavers, Hair Dryers*	109	174	150	487	393	361	352	353	169
Portable Typewriters and Pocket Calculators	97	107	115	1,013	510	394	349	344	464
Jewellery	1,167	1,360	2,430	2,628	2,621	3,506	2,765	3,927	5,066
Perfumes	414	524	442	830	702	602	727	948	1,087
TOTAL	11,305	11,575	17,313	23,829	17,779	21,493	21,483	17,201	20,079

* Hair Dryers and Pocket Calculators were added to the list from 1974.

A significant proportion of imports, consisting of capital goods and raw materials, is allowed to enter Fiji at a lower rate than the prevailing rates of duty in accordance with the government's policy to encourage growth in existing industries and to attract further investment. The value of such imports amounted to \$F98,010,000, or 24.9 percent of the total imports during 1979³¹⁴. One such industry that enjoys this import incentive is the tourist industry. In this way, the industry contributes to Fiji's balance of trade problems.

One of the major reasons for developing the tourist industry is that tourism would be a substantial employment generator in Fiji. In 1975 approximately 3,500 people were employed in the hotel and accommodation sector alone³¹⁵. The employment effect outside the tourist industry, excluding hotels, in that year was approximately 9,500 people³¹⁶; total employment attributed to tourism was 13,000 people, or 6 percent of the total labour force³¹⁷. In Development Plan VII 1976-1980 it was forecast that employment in the hotels and restaurants would increase to 5,220 at an annual percentage increase of 5.6 by mid 1980.

Although the number of jobs generated by the tourist industry

³¹⁴ Ibid.

³¹⁵ Ibid., p.76.

³¹⁶ Ibid.

³¹⁷ Ibid.

in Fiji has increased since the 1970's, these increases have not been substantial and in some sectors a decline has occurred in certain periods. The number of wage and salary earners in the wholesale and retail trades and restaurants and hotels has increased from 9,456 in 1971 to 13,378 in 1980³¹⁸, but during these years the rate and number of people employed either directly or indirectly by the tourist industry have shown some decline. For example, the number of paid employees in the wholesale and retail trades and restaurants and hotels declined from 9,888 in 1972 to 9,668 in 1973, that is, -2.2 percent below the previous year³¹⁹. The rate of increase between 1973-1980 has not been substantial. The following table (xxxv)³²⁰ shows the number of people employed in the wholesale and retail trades and restaurants and hotels, as well as the rate of increases in the number employed.

The table shows that since 1975, when an 11.8 percent increase was recorded, the rate of increase has slowed down. In 1977 the increase was only 3.4 percent over the previous year and the 1979 increase was only 2.4 percent over 1978. The table also shows that the target of 5.6 percent annual increase forecasted in Development Plan VII 1976-1980 was not achieved until March 1980 when the percentage increase was 6.6.

³¹⁸ Ibid.

³¹⁹ Ibid.

³²⁰ Ibid.

Table (xxxv)

Wage and Salary Earners in the Wholesale
and Retail Trades and Restaurants and Hotels
Number and Percentage Changes, 1971-1979

Year	Number of Employed	Percentage Change Over Previous Year
1971-72	9,888	4.0
1972-73	9,668	-2.2
1973-74	10,014	3.4
1974-75	10,315	11.8
1975-76	11,701	3.8
1976-77	12,117	3.4
1977-78	12,776	5.2
1978-79	13,099	2.4
1979-80	14,037	6.6

The tourist industry in Fiji was regarded in Development Plan VII as a substantial employment generator. As stated earlier in the chapter, it is difficult to determine the actual amount of employment generated by tourists in Fiji. Wholesale and retail trade employment is categorised in Fiji as employment generated by tourism. Secondly, duty-free goods retailing establishments are largely family owned enterprises and these also cater for the local market. As such, employment in these sectors could be generated by the

local market.

However, if one takes the employment in the hotel sector, which is directly generated by tourism, one would notice that the number of people employed is not really substantial as a percentage of the total number of people employed in Fiji. The total number of people employed as at March 1960 was 80,184³²¹, in comparison to the 4,025 people employed in the hotel sector at that date, that is, only 3.02 percent of the total number of people employed in Fiji. The hotel sector ranks fifth in employment among the nine industrial groups in Fiji.

Conclusion

The tourist industry in Fiji is not a recent industry. Cruise ships have been calling at Suva since the early twentieth century. The colonial government's involvement with the promotion of tourism began around that time too, although this was kept at a minimal level until 1964 when the government passed the Hotel Aid Ordinance to promote the development of the industry.

The tourist industry is a significant part of the Fijian economy. It is a substantial foreign exchange earner and

³²¹ Ibid.

employment generator. During the latter part of the 1960's and early 1970's, Fiji looked to the growth of the industry with optimism. Up to 1974 the industry enjoyed an average annual growth of 13 percent in visitor arrivals. However, this fell short of the target of a 20 percent per annum increase set in the Sixth Development Plan. The rate of growth in visitor arrivals in 1980 was 2.5 percent.

The down-turn experienced between 1973 to 1977 and the slow, minimal recovery rate recorded in visitor arrivals since 1977 give reasons for re-examining Fiji's tourist potential and the types of strategies and policies that would be required for the future development of the industry. In the chapters that follow, an examination of the tourist accommodation sector, air transport, and personnel training has been carried out. The role of the government in promoting Fiji's tourist industry has also been examined in detail. In each area the types of government policies which operated in the past and which are in operation now have been examined and evaluated to determine the extent to which they contribute or could contribute towards the growth and development of the tourist industry in Fiji.

CHAPTER 9

TOURIST ACCOMMODATION

DEVELOPMENT IN FIJI: POLICIES AND STRATEGIES

A. Introduction

The object of this chapter is to examine and evaluate the past and present policies which have governed the development of the tourist accommodation sector in Fiji and those which are currently in operation. The starting point of this analysis is the 1964 Hotel Aid Ordinance, the first policy formulated to aid and guide the growth and development of the sector. The chapter is divided into the following sections:

- (a) An Examination of the Hotel Aid Ordinance.
- (b) The Pattern of Growth of the Sector and the Problems Associated with Developing the Sector.

Conclusion: Alternative Policy Approaches to Aid the Sector.

The main conclusions arrived at in this chapter are that the tourist accommodation sector is experiencing a period of slow growth. This is in contrast to the rapid growth which characterised the sector from the latter part of the 1960's to the early 1970's.

trends in the main indicators are examined in detail in this chapter and the main causes of the decline identified.

8 The Hotel Aid Ordinance

The development of tourist accommodation in Fiji for the international tourist market began in earnest during Fiji's Development Plan IV, referred to in Chapter 8. During that development plan period, the need to expand Fiji's tourist accommodation had already become apparent due to increasing overseas tourist arrivals. The problem which faced Fiji then was the lack of local investors and local finance to increase the accommodation capacity. Fiji had to go "fishing" for overseas investors. The passing of the *Hotel Aid Ordinance No., 35 of 1964*, which is still in operation, was the first legislation in Fiji designed specifically to aid and encourage the development of tourist accommodation by providing some form of financial inducement. Conditions were provided for persons who wanted to benefit from the provisions of the Ordinance. Section 3, Clause (1) of the Ordinance stipulates that a person may apply to the Minister in charge of tourism for provisional approval of their proposed project with an application giving information on the following:

- (a) the location and description of the site;
- (b) the number and description of bedrooms and

- beds and of the toilet facilities, in case of an extension;
- (c) the number and description of proposed new bedrooms and beds, toilet facilities and public rooms;
 - (d) a detailed description of any amenities;
 - (e) a sketch plan showing in detail the site and layout of the proposed hotel's extension and amenities;
 - (f) an estimate of the cost of the project;
 - (g) details of the proposed method of financing the project; and
 - (h) where it is proposed to carry out the project in stages, a description and estimate of the cost of each individual stage and details of the proposed time.

The Minister was empowered to specify requirements to be applicable to any particular area in Fiji. He could, upon securing an application, use his discretion to reject it, give it provisional approval with or without conditions as he may deem fit or give provisional approval to part and reject the remainder.

The Minister was also given guidelines to follow in making his decisions on an application. The following are conditions which he takes into account:

- (a) the requirements for the accommodation of

- travellers in the area concerned;
- (b) whether the proposed hotel extensions will make an adequate contribution to the requirements of the area concerned;
 - (c) whether the proposed accommodation is of a suitable size and standard for the area; and
 - (d) whether adequate amenities would be provided by the project.

The decision of the Minister is final, although applicants are allowed to submit fresh applications or to amend the original applications.

The incentives provided in the Ordinance are also attractive. A grant of subsidy is provided at a rate of 7% of total capital expenditure incurred in any project (less the cost of land) to any hotel owner who had been granted provisional approval and who had completed the project in accordance with the conditions attached to the provisional approval. Hotel owners could also apply for an investment allowance as an alternative to the subsidy and could claim an amount equal to 55 percent of total capital expenditure incurred in the project (less the cost of land) and the allowance could not be subject to income tax. A special depreciation allowance is also provided to hotel owners who had been granted a subsidy entitling them in each of the fifteen years succeeding the year in which capital expenditure has been incurred, to claim such expenditure against income arising

from that year, the amount of capital expenditure (excluding subsidies) as the hotel owner chooses at his discretion. The amount to be claimed as special depreciation allowance should not be more than the total amount of capital expenditure.

The Ordinance also gives incentives covering losses. Section 10 provides that where any loss is incurred in connection with any hotel, in respect of which a special depreciation allowance has been granted, such loss may be set off against the income of any other hotel owned by the hotel proprietor or may be carried forward and set off against the income of the hotel or any other hotel owned by the hotel proprietor for subsequent years.

In the original Ordinance, Section 5 provided that:

where a hotel owner has been granted provisional approval, and has completed the project and the amenities thereto have been provided in accordance with the provisional approval, he shall be granted a subsidy at the rate of 7 percent of the total capital expenditure incurred in the project and in the provision of such amenities as may be approved by the Minister in the provisional approval, but less the cost of any land acquired for the project.

Section 6 of the Ordinance provided that a hotel owner may

apply for an investment allowance as an alternative to a subsidy. Once a hotel owner elects to apply for a subsidy or an investment allowance, it becomes binding and irrevocable on the hotel owner. By 1975 the provision was considered too stringent and an amendment was passed, the *Hotel Aid Amendment Act 1975*. This amendment provided that a hotel owner who has elected to avail himself of an investment allowance, but no allowance has at that time been claimed may, subject to the approval of the Minister, revoke the election in favour of the provisions of the subsidy grant. Any such revocation shall be final and binding.

C The Pattern of Growth of the Tourist Accommodation Sector

The incentives provided in the *Hotel Aid Ordinance* and other concessions provided in the *Custom Tariff Ordinance*, which provide for the remission of all or part of the duty payable on goods imported for an object or enterprise, were designed to attract private investors in the tourist accommodation sector. One indication of the functional impact of these policies was the growth in hotel investment. Between 1966 and 1970 private investment in Fiji increased from \$F13.6 million to \$F32.4 million at an average annual growth rate of 24.0 percent¹²². Private fixed capital

¹²² International Bank for Reconstruction and Development, International Development Association, The Economic Prospects of Fiji, Report No EAP-18a, 6 October 1970, p.3.

formation between 1970 and 1975 also increased from \$F40.4 million to \$F58.5 million, while public fixed capital formation increased from \$F14.8 million to \$F23.1 million³²³. It was estimated that 24 percent of total private fixed capital formation was accounted for by tourism investment, most of it being on hotel development³²⁴.

The growth in hotel investment coincided with rapid growth in tourist arrivals and tourist receipts. Tourist arrivals increased from 40,135 in 1965 to 85,163 in 1969 (excluding cruises and liner passengers). This was an increase of 174 percent with an average annual growth rate of 27.3 percent³²⁵. Tourist receipts during the same period also increased from \$F8.6 million to \$F24.3 million at an average annual growth of 33 percent between 1965 and 1970³²⁶. During Development Plan VI, 1970-1975, the number of hotel rooms available in Fiji increased from 1,587 to 3,162. Bed capacity also increased from 3,259 to 7,259 beds³²⁷. Total hotel turnover between 1970 to 1975 also increased from \$F9.4 million to \$F24.5 million³²⁸ (for details on Hotel and Visitor Statistics, see Appendix R).

³²³ Fiji's Sixth Development Plan, 1971-1975, Policies and Programmes for Social and Economic Progress, Central Planning Office, Suva, 1970, p. 24.

³²⁴ The Economic Prospects of Fiji, op.cit., 1970, p. 32.

³²⁵ Fiji's Development Plan VII, 1976-1980, op.cit., 1975, p. 167.

³²⁶ A Statistical Report on Tourism in Fiji, 1963-1972, Bureau of Statistics, Suva, April, 1973.

³²⁷ Ibid.

³²⁸ Ibid.

The planned target of 20 percent annual increase in visitor arrivals, which was the main objective in Development Plan VI 1970-1975, was never achieved. The upward trend of visitor arrivals began to ease in 1973. Visitor arrivals fell from 186,323 in 1973 to 161,077 in 1975³²⁹. They increased to 188,740 in 1979³³⁰. The rate of visitor arrivals slowed down over the 1970-1979 period. In 1970 the increase of visitor arrivals was 29 percent over the previous year³³¹ and this figure increased again to 38 percent in 1971³³². It then drastically declined to 9 percent in 1973³³³, and again to -3 percent in 1974³³⁴. In 1975 it declined to -11 percent³³⁵. It increased to 4 percent in 1976 and declined again to 3 percent the following year³³⁶. In 1980 the increase was 0.7 percent³³⁷ in comparison to the 6.3 percent recorded in 1978 and 2.5 percent in 1979³³⁸.

³²⁹ A Statistical Report on Tourism in Fiji, 1977, op.cit., December 1978, p 21.

³³⁰ Current Economic Statistics, January 1981, op.cit., February 1981, p 87.

³³¹ A Statistical Report on Tourism in Fiji, 1977, op.cit., December 1978, p.92.

³³² Ibid.

³³³ Ibid.

³³⁴ Ibid.

³³⁵ Ibid.

³³⁶ Ibid.

³³⁷ Statistical News No 8 of 1981, Bureau of Statistics, Suva, Fiji, 24 April 1981, p.1.

³³⁸ Current Economic Statistics, January 1981, op.cit., February 1981, p.85.

One reason for this decline in the rate of visitor arrivals is the decrease in Fiji's share of its major tourist markets, namely Australia, New Zealand and the United States. The percentage increase in the arrival of Australian visitors in 1973 was 13.7 percent. In 1974 this fell to 7.3 percent over the 1973 figure and again declined to 0.4 percent in 1975 over the 1974 figure. This increased to 13.9 percent in 1976 over the 1975 figure and declined again to -4.3 percent in 1977. In 1978 the percentage increase was 17.5 over the 1977 figure³³⁹. In 1979 the percentage of Australian visitor arrivals declined by -2.3 percent³⁴⁰, but in 1980 was -1.3 percent³⁴¹ (for details of visitor arrivals in Fiji, see Appendix O).

This decline in the rate of visitor arrivals has had some effect on the growth of the tourist accommodation sector in Fiji. Although the actual number of visitors to Fiji increased from 181,077 in 1974³⁴² to 188,740 in 1979³⁴³ this increase has not been substantial because it is only an increase of 7,663 visitors in three years, in contrast to an increase from 40,185 visitors in 1976 to 85,168 in 1979³⁴⁴,

³³⁹ A Statistical Report on Tourism in Fiji, 1977, op.cit., December 1978, p. 50.

³⁴⁰ Current Economic Statistics, January 1981, op.cit., February 1981, p. 86.

³⁴¹ Statistical News No 8, 1981, Bureau of Statistics, Suva, Fiji, 24 April 1981, p. 1.

³⁴² Statistical Report on Tourism in Fiji, 1977, op.cit., December 1978, p. 43.

³⁴³ Current Economic Statistics, January 1981, op.cit., February 1981, p. 88.

³⁴⁴ Fiji Development Plan VII, 1976-1980, op.cit., p. 167.

which was an increase of 44,983 in four years. Because of these visitor arrival trends, one would conclude that it would be currently inadvisable to expand the tourism and accommodation sector in Fiji.

There are several factors which mitigate against the expansion of the current capacity of the tourist accommodation sector. From 1974 to 1979 the number of hotel beds has increased from 6,345 to 10,216³⁴⁵. This is an increase of 3,471 beds or approximately 500 beds per annum during the period.

The percentage increase in the number of rooms and beds, however, has shown a decline between 1975 to 1979. In 1976 the annual percentage increase in the number of rooms was 3.7 percent³⁴⁶, in contrast to the 15 percent recorded in 1975³⁴⁷. The percentage change in the number of rooms showed a negative growth rate of -1.3 percent in 1977 and a negative growth rate of -0.4 percent in 1978, although a marginal positive growth of 2.4 percent was recorded in 1979³⁴⁸.

³⁴⁵ Current Economic Statistics, January 1981, op.cit., February 1981, p. 91.

³⁴⁶ Ibid.

³⁴⁷ A Statistical Report on Tourism in Fiji, 1977, op.cit., December 1978, p. 91.

³⁴⁸ Current Economic Statistics, January 1981, op.cit., February 1981, p. 91.

The percentage change in the number of beds also showed a negative growth rate of -1.8 percent in 1977 in comparison to the 4.8 percent recorded in 1976³⁴⁹, and in sharp contrast to the 18 percent recorded in 1975³⁵⁰. In 1978 the increase in the number of beds did not change from the figure of -1.8 percent recorded in 1977, but increased to 11.6 percent in 1979³⁵¹.

Hotel room and bed occupancy rates in Fiji have also declined. Room occupancy rates have declined from 59.7 percent in 1974 to 50.5 percent in 1975, and further fell to 49.4 percent in 1976³⁵². In 1977 room occupancy rates increased to 59.5 percent but dropped to 58.6 percent in 1979³⁵³. In the first two quarters of 1980, room occupancy rates stood at 50 percent. In the last quarter of 1979 and the first two quarters of 1980 the percentage change in room occupancy rates declined from -2.9 percent to -7.4 percent and -10.4 percent³⁵⁴.

Similarly, bed occupancy rates have also declined. In 1974 bed occupancy was 50.2 percent, this progressively fell to 30.8 percent in 1976. It increased to 44.0 percent in 1978

³⁴⁹ Ibid.

³⁵⁰ Ibid.

³⁵¹ Ibid.

³⁵² Ibid.

³⁵³ Ibid.

³⁵⁴ Ibid.

and dropped again to 41.6 percent in 1979¹⁵⁵.

The decline in the rate of visitor arrivals and in the growth of the accommodation sector is reflected in the concomitant drop in the number of international passenger aircraft arrivals at Nadi, Fiji's main international airport. The number of international aircraft traffic arrivals at Nadi has declined from 4,380 aircraft in 1973 to 2,572 aircraft in 1979¹⁵⁶. International aircraft arrivals at Nausori Airport, however, increased from 339 to 578 arrivals in 1979¹⁵⁷. This increase is, however, not substantial enough to compensate for the 1,808 aircraft arrival losses from Nadi Airport within the same period.

Similarly, transit passengers changing planes at Fiji and transit passengers of the same aircraft passing through Fiji have also declined. The former has fallen from 6,087 passengers in 1975 to 3,601 in 1979 and the latter from 216,538 passengers to 125,848 in the same period¹⁵⁸.

¹⁵⁵ Ibid.

¹⁵⁶ Ibid., p.100.

¹⁵⁷ Ibid.

¹⁵⁸ Ibid., p.88.

Conclusion: Proposal for an Alternative Approach

All the evidence cited in this chapter suggests that the decline in the rate of visitor arrivals in Fiji has had some negative effects on the growth of the tourist accommodation sector. This being so, there is a need to examine what policies and strategies are currently required to aid the sector. In 1978 it was estimated that approximately 600 accommodation units in Fiji were of marginal quality³⁵. With the current downturn in the rate of visitor arrivals and the decline in room and bed occupancy rates, it would be prudent not to expand the present capacity of the tourist accommodation sector. It would be more advisable to upgrade the 600 marginal units to acceptable standards and to consolidate upon existing capacity. The Hotel Aid Ordinance was introduced mainly to aid a nascent industry. Now, after 15 years, the industry is entering a stage of maturity, a period normally characterised by slow growth rates in the business cycle.

The percentage change in the number of hotel beds sold has declined from 12.3 in 1978 to 5.8 percent in 1979. This has further declined to -12.2 percent in 1980³⁶. In order to aid the sector in these difficult periods the government could alter the conditions attached to the subsidy grants by

³⁵ Ibid.

³⁶ Ibid., p.91.

giving priority to hotel owners who wish to improve their existing accommodation units and also by offering a tax holiday to those hotel owners whose establishments are running at a loss. The government could also grant the 7.5 percent subsidy on total capital cost incurred by developers whose projects have to be approved and who have to actually incur the expenditure. The former proposal is more flexible and more encouraging to those without adequate capital to improve upon their existing accommodation units.

Another means of helping the tourist accommodation sector to improve upon existing units is to make local financial loans more available. The Fiji Development Bank and the Fiji National Provident Fund provide loans to investors and these loans are available to tourism developers. The Fiji Development Bank is primarily a lending institution but under its Act it must give priority to loans of an agricultural nature. It does, however, extend its loans to tourism developers. In the 1976-1977 financial year, \$F66,000 was approved as loans to a total number of five tourism establishments³⁶¹. In the 1977-1978 financial year twelve tourism establishments received a total of \$F322,000 and in the 1978-1979 financial year, eighteen establishments received a total of \$475,000 in the form of bank loans³⁶².

³⁶¹ Fiji Development Bank, Annual Report and Statement of Accounts for the Year Ended 30 June 1978, p 15.

³⁶² Ibid.

Although the number of tourist establishments that received loans from the Bank increased by 140 percent and although the amount issued increased by 388 percent between 1976-1977 and 1977-1978, the total amount of loan money released for tourism development was minimal compared to the total amount of loans approved by the Bank³⁶³. In 1977-1978 the Bank approved loans amounting to \$F7,726,000 to a total number of 669 applicants, of which only 12 applicants of the tourist group had their loans approved, receiving only 4 percent of the total amount of loans released by the Bank³⁶⁴. In effect, the Fiji Development Bank is not yet a major source of finance for tourism development in Fiji.

The Fiji National Provident Fund also provides investment loans for development purposes, both to the public and private sectors with interest rates varying from 6 percent to 10 percent depending upon market conditions. In 1978 \$F112,495,324 was released as investment loans, of which \$F37,363,766 went to the private sector³⁶⁵. Tourism developers who received loans from this source include the following: Bay of Islands Company Limited, Hotel Samabula Limited, Island in the Sun Fiji Limited, Pacific Hotels and Development Limited and Travelodge Fiji Limited³⁶⁶.

³⁶³ Ibid., p.16.

³⁶⁴ Ibid.

³⁶⁵ Fiji National Provident Fund, Annual Report and Statement of Account 1978, p.6.

³⁶⁶ Ibid., p.3.

Hotel developers, however, are not a major recipient of loans from the Provident Fund.

It could be argued that one needs to expand the accommodation sector to attract tourists. This is normally the case in the early stages of developing a tourist industry, but at a mature stage a levelling off tends to occur. Looking at the statistical data available, Fiji is currently entering that stage. With a population of 627,526 (1979 census), people and limited land area and infra-structure, Fiji will be hard pressed to accommodate 400,000 tourists per annum. If that level can be obtained in the next five years then there is a need to cater for that growth. But under existing market conditions it is doubtful whether Fiji can increase its visitor arrivals by 300 percent in the next five years at the current rate of growth.

If, however, accommodation capacity is increased substantially in the next five years, say by 1,000 beds, at current rates of visitor arrivals the following should be anticipated: low occupancy rates due to the greater number of tourist beds during a period of low rate of visitor arrivals will cause price competition, which will further accentuate the problem of occupancy and consequently produce a decline in the rate of hotel turnover.

In effect, the climate is not right to expand the current tourist accommodation capacity of Fiji. At the current rate of visitor arrivals tourists can be accommodated within the

existing capacity. Perhaps what is needed is to spread the tourist season which currently is concentrated between the months of July-August. This, however, is easier said than done. The months of July and August are the mid-winter months in Australia and New Zealand and these markets respond to Fiji's warm climatic attractions following the traditional holiday pattern in these markets. So the Australian and New Zealand visitor peak period would be very difficult to alter.

The period of July and August also coincides with the summer months of the northern hemisphere when North Americans and Europeans take summer holidays. As the statistics show, visitors from North America and Europe to Fiji also reach a peak during this period.

From the above analysis, the following factors should determine the approach to formulating policies for the tourist accommodation sector.

- (i) The current rate of growth of visitor arrivals is still slow.
- (ii) Local loans could be increased to tourism investors, including foreign investors.
- (iii) Current accommodation capacity can be increased by upgrading the estimated 600 sub-standard units.
- (iv) Current subsidies and allowances should be based on the standard of a hotel.

This would mean the classification of hotels into various standards from 1 star to 5 star classification. To qualify for a subsidy or investment allowance, hotel owners should be required to upgrade their hotel to a higher standard.

- (v) Government could make subsidies and investment allowances more readily available to approved hotel projects.

CHAPTER 10

THE ROLE OF THE FIJI GOVERNMENT IN TOURISM PROMOTION

1 Introduction

If Fiji is to increase its accommodation capacity it must also increase its marketing and promotional efforts to attract more visitors.

The main objective of this chapter is to evaluate the effectiveness of the Fijian government's past and present tourism promotion policies. The public tourism promotional organisations in Fiji are examined, as well as the extent of promotional funding provided by the government in order to enable these organisations to carry out their functions more effectively.

The method of research is based on the identification of tourism promotion policies and the examination of the type of organisations set up to implement these policies. The two organisations studied are the Fiji Tourism Commission and the Fiji Visitors' Bureau.

The chapter assesses the structure of these organisations and the resources which enable them to carry out their functions. The content of the tourist product of Fiji is

also examined as well as the problems associated with the promotion of this product.

The main conclusion is that the Fiji Tourist Commission and the Fiji Visitors' Bureau are not fully equipped to carry out their promotional functions effectively. These organisations are handicapped by inadequate organisational structures and inadequate financial resources. Moreover, the content of Fiji's tourist product is generally available in many South Pacific tourist destinations. Consequently, the product is not scarce and Fiji now has to compete with other destinations which offer a similar product. One part of Fiji's tourist product not found elsewhere in the Pacific is the Indian community, yet this is played down to the image of the smiling Pacific "native". The variety of cultural features to be found in the Indian community and the artistic nature of these people is a unique part of Fiji that should be promoted as part of the tourist product.

B The Fiji Tourist Commission and the Fiji Visitors' Bureau

The Tourist Commission and Fiji Visitors' Bureau Ordinance ³⁶⁷
was passed in 1969 to:

³⁶⁷ *The Tourist Commission and Fiji Visitors' Bureau Ordinance No 49 of 1969, The Legislature of Fiji, Suva, 1969.*

encourage and develop the Fiji tourist industry and tourist traffic to, within and beyond Fiji, taking into consideration at all times the true cultures and customs of the people of Fiji.

The Commission is given wide powers in order to achieve this objective.

The Tourist Commission is a government body consisting of the Minister in Charge of Tourism and two other ministers appointed by the Prime Minister. In other words, it is an inner-cabinet advisory body with executive functions. The Ordinance also established the Fiji Visitors' Bureau³⁶⁸, with a Board of Directors to run the affairs of the Bureau. The Board, however, is subordinate to the Tourist Commission in matters of policy and the general direction and operation of the Bureau.

In Fiji, tourism policies and objectives originate from the Ministry of Tourism, Transport and Civil Aviation, subject to the approval of Cabinet. Ministry policies and objectives are transmitted to the Tourist Commission which administers the policies through its Board of Directors and Visitors' Bureau.

³⁶⁸ Ibid.

The Visitors' Bureau is a corporate body charged with the following objectives:

- (a) to encourage visitors to Fiji by people from other countries and travel and holidays within Fiji by people from within or outside Fiji;
- (b) to encourage the development of Fiji as a holiday resort and the improvement of facilities for visitors having regard to the interest of local residents;
- (c) to encourage the co-ordination of activities of persons providing services for visitors to Fiji;
- (d) to encourage the appreciation by the community of the benefits which will occur to Fiji through the development of the tourist industry;
- (e) to solicit the making of contributions by way of cash and assistance in kind by firms, organisations and individuals to the funds or for the purposes or activities of the Bureau.

The Board of Directors of the Fiji Visitors' Bureau consists of the following:

- A public officer appointed by the Minister.
- A public officer nominated by each of the

two other ministers who are members of the Commission.

- The Public Relations Officer.
- A representative of the airlines serving Fiji.
- A representative of the Fijian hotel industry.
- A representative of the passenger liner or cruise operators.
- A representative of the operators of public vehicles, including coaches, taxis, hire and rental cars.
- A representative of duty free retail traders.
- Two other persons appointed by the Minister.

One major problem of the Fiji Visitors' Bureau is the lack of adequate finance to carry out its functions more effectively. In the original ordinance, which was amended in 1977, the financial resources for the operation of the Bureau came from voluntary contributions from the tourist industry and the government. This arrangement left the Bureau to carry out its activities by working on its submission for a marketing budget and making do with what it had in the way of "loose" funds and industry contributions for a "stop-go" type of marketing activity. By 1975 the Bureau had accumulated a deficit of \$100,000¹⁰. The funds available to the Bureau to carry out its functions were irregular and inadequate. The contribution from the

¹⁰ Fiji Visitors' Bureau, Annual Report, 1977, Suva, Fiji, 1978, p.1.

private sector consisted largely of donations. In 1979 the government took full responsibility for financing the promotional functions of the Bureau (the following table (xxxvi)³⁷⁸ on income and expenditure account illustrates the magnitude of the operation of the Bureau).

Table (xxxvi)

Fiji Visitors' Bureau Income and
Expenditure Account for the Year Ended 31 December 1977

1976		1977
<u>Total \$</u>		<u>Total \$</u>
68,969	Advertising and Promotion	116,447
82,645	Administration - Office Expenses	73,850
197,494	Payroll and Related Expenses	205,732
22,791	Administration - Travelling	22,436
29,709	Overseas Agencies	34,319
4,796	Capital Expenditure	6,385
8,553	Other Expenses	16,891
<u>409,961</u>		<u>476,060</u>

Because of the magnitude of the market and limited financial resources, the Bureau has to spread the range of its outlets. In consumer advertising it pays for

³⁷⁸ Ibid.

supplements in papers such as the "Melbourne Age" and the "Sydney Daily Telegraph". These papers have a wide circulation with certain space and columns already paid for by other resident travel agents for daily advertisements. A supplement is not frequent and as such its impact is less effective because of the lack of reinforcement material.

The Bureau also advertises in "Pacific Travel News", but this is infrequent and comes in the form of supplementary news items. It also produces a monthly newsletter which is released to overseas offices for distribution. The distribution of such literature, however, has its own problems.

In 1977 15,000 copies of "Facts about Fiji" and 15,000 copies of maps of Fiji were reprinted and released¹⁷¹. Added to this, 1,000 posters of "What the World Needs Now is More Fiji", were released to promote Fiji as sales aids. Fifteen thousand copies of a brochure, if divided amongst the major markets of Fiji, say Australia 5,000 copies; New Zealand 5,000; United States 2,000; and the rest in Fiji and others, would have limited circulation and impact.

The limited promotional fund of the Bureau also goes into such expenditures like the production of audiovisual aids. "Fiji - Holiday Paradise in the Sun", and "Fiji - Wish

¹⁷¹ Ibid (Auditor's Report, Schedule 7).

you were Here" were both released in North America³⁷² to promote Fiji's tourist product.

Films are good sales and promotional aids, but tourist films do not have a wide circulation. The viewing public for such films is made up largely of representatives of travel agencies, tour operators, airline representatives and other tourist industry organisations and not the general public.

Other promotional activities carried out by the Bureau include the hosting of travel agents, official tours, briefing of journalists, local public relations, and official overseas tours by groups and officers approved and sponsored by the Bureau.

In 1978 \$F700,000 was granted to the Bureau by the Fijian government. Out of this sum \$450,000 was budgeted to meet the administrative costs of the headquarters and the remainder for running the overseas branches and to meet promotional and marketing costs.

The Bureau has produced an official tourist guide containing over three dozen brochures on travel and vacation. For the purpose of advertising, "Fiji - Fantastic" is the holiday offer of the advertising and marketing "kit".

³⁷² Ibid.

The attractions range from native hospitality, night life, entertainment, spectacular island landscape, international standard hotels, seaside resorts, duty free shops, handicrafts, and modern transport systems. These form Fiji's tourist product and are a standard tourist product in the South Pacific.

Jean Bergerot³⁷³ states in his report Fiji: Guidelines for a New Step in Development of Tourism, that:

the Fijian "tourist package" corresponds perfectly to the need for interchangeability with other destinations which is essential on this market. A standard product of this nature can manage to satisfy the largest possible number of tourists who prefer to visit the tropics.

But the very standard nature of this product creates problems. The price of such a product would have to be competitive with similar offerings in the South Pacific such as in Tahiti, Noumea, New Caledonia, and Rarotonga, which are comparatively new tourist discoveries in the region.

³⁷³ Jean Bergerot, Fiji: Guidelines for a New Step in Development of Tourism, Its Significance and Importance. United Nations Development Advisory Team, Suva, Fiji, October 1979.

Fijian tourist promoters emphasise the friendliness and hospitality of the Fijian people. This image has characterised the inhabitants of the South Pacific since the exploration days of James Cook and Joseph Banks. The Fijian smile, or rather the South Pacific native smile, is a common image in all brochures on these destinations. Hospitality and friendliness, therefore, are not scarce resources in the South Pacific. Every country sells hospitality. It is perhaps the cheapest component in the whole tourist product.

Is there a need to change the content of the Fijian tourist product, and the image? The total content of the Fijian tourist product cannot be changed radically because this is what Fiji has, but its Indian culture is a resource that could provide Fiji with a unique tourist product in the South Pacific.

C Problems and Prospects

The nature and role of the public sector in promoting and marketing Fiji as a tourist destination is set out in two major legislations which provide the guidelines for tourism development and administration in Fiji. These legislations are the *Hotel Aid Ordinance* (discussed in Chapter 9) and the *Tourist Commission and the Fiji Visitors Bureau Ordinance*, (dealt with in this chapter). In the case of the latter legislation some of the merits are that:

- (a) it provides a framework for a development approach;
- (b) it provides guidelines for the nature and extent of public sector participation in the tourism developmental process;
- (c) it provides encouragement to the private sector by committing public funds towards the promotion of all sectors of the industry;
- (d) it provides Fiji's government some degree of control over the image of Fiji that is projected overseas;
- (e) it provides a framework of organisations which have a substantial employment potential. As the Fiji Visitors' Bureau increased its activities so would avenues be opened for the recruitment and training of more Fijians into specialised fields of travel management;
- (f) it provides a channel for the co-ordination of all the services in the tourist sector. In this role, the Fiji Tourist Commission and the Fiji Visitors' Bureau are effective consulting organisations for those participants in industry activities;
- (g) it reduces the dependence of Fiji on foreign operators to promote its tourist product.

In effect, the Tourist Commission and the Visitors' Bureau are the National Tourist Organisations of Fiji, which have been established to promote the development of the tourist industry. The analysis of the legislation showed certain problems of implementation. In general these are that:

- (a) The Ordinance is a colonial legacy formulated by the last of the British colonial administrators in Fiji. Although it was passed in 1969, the Fiji Visitors' Bureau did not carry out any large promotional activities until 1977. It took the government six years to decide to give full financial support to the Bureau.
- (b) It was passed in response to the needs of Fiji in 1969 when the growth of the industry was buoyant and as such was dictated by optimism for continuous growth and high private sector confidence. This accentuated the government's reliance on the private sector to take the lead in the development and promotion of Fiji. The consequences are that 62 percent of Fiji's tourist accommodation is owned and managed by foreign companies, and 67 percent of travel agents and tour companies are controlled by foreign

retailing and wholesaling enterprises³⁷⁴.

(c) It is estimated that Fiji earns about \$43,000,000 net from tourism, that is, after leakages. The government does not spend more than half a million dollars per annum on subsidies and allowances to the private sector. The government should be able to increase its financial input into the tourist industry by, say, 4 percent of net earnings annually for the promotion, marketing and development of the tourist industry. That is, approximately \$16 million.

(d) The government does not provide a large amount of finance for the activities of the Bureau. This makes it difficult for the Bureau to carry out its promotional functions effectively. The \$F700,000 per annum vote for the administrative and promotional functions of the Bureau is small compared to the cost of promotion in some of Fiji's tourist markets. For example, for advertising in the United States, the ABC, NBC or CBS networks charge approximately \$US130,000 for 60 second commercials during prime-time

³⁷⁴ Stephen G Britton, 'Tourism and Economic Vulnerability in Small Pacific Island States. The Case of Fiji', 1979 (unpublished).

viewing. The New Zealand government spent \$2,550,000 on promotional activities in North America alone in 1978. In terms of expenditure, the New Zealand government spends approximately \$NZ11.64 on promotion to attract one tourist, while the Fijian government spends approximately \$F3.70.

Conclusion

The tourist industry in Fiji is now experiencing a slow rate of growth compared to the rapid growth of the late 1960's and early 1970's. The rate of growth in visitors coming for holiday purposes declined from 7.2 percent in 1976 to 3.5 percent in 1977. This increased to 5.2 percent in 1978 but then declined to 3.5 percent in 1979³⁷⁵. The most significant decline was in the rate of visitor arrivals from Australia, New Zealand, the United States, Canada, and the United Kingdom.

The rate of visitor arrivals from Australia declined from 13.9 percent in 1976 to -4.3 percent in 1977. This again declined from 17.5 percent in 1978 to -2.3 percent in 1979. The rate of visitor arrivals from New Zealand declined by 11.0 percent in 1976. It increased to 9.9 percent in 1977 but declined to -1.2 in 1978. In 1979 it increased to 8.8

³⁷⁵ Current Economic Statistics, op.cit., 1981, p.86.

percent. The rate of visitor arrivals from the United States was 1.6 percent in 1976. In 1977 it declined to -0.1 percent and then increased to 4.5 percent in 1978. In 1979 it declined to -7.2 percent³⁷⁶ (for details on visitor arrivals to Fiji, see Appendix).

The number and rate of visitor arrivals to Fiji can be increased through the Fiji Visitors' Bureau expanding its promotional activities to obtain a better market representation in Fiji's main tourist markets. This would require the provision of more funds.

As suggested earlier, the Fijian government should also enable Air Pacific to operate in more distant markets such as the United States and Japan, which are major tourist generating countries for the South Pacific. This would require the government to enter into bilateral agreements with the governments of these countries and to introduce promotional air fares to and from these countries. Japan, in particular, should be a target market for the Fijian tourist industry. Japanese tourist arrivals to Fiji declined by 0.8 percent in 1979, that is, from 5,709 arrivals in 1978 to 5,665 in 1979³⁷⁷. Japanese tourist arrivals to New Zealand during the same period increased from 12,888 to 13,568, an increase of 5.3 percent³⁷⁸.

³⁷⁶ Ibid.

³⁷⁷ Ibid.

³⁷⁸ New Zealand Visitor Statistics, 1978-79, op.cit., Tourist and Publicity Department, Wellington, 1980, p.57.

Considering the low rate of visitor arrivals to Fiji in the last five years, it would be advisable for the Fijian government to take an active lead in promotional activities in order to stimulate positive growth in the rate of visitor arrivals and consequently to stimulate the growth of the tourist industry. This would require realistic tourism promotion funding and promotion policies.

CHAPTER 11

THE SIGNIFICANCE OF INTERNATIONAL AIR TRAFFIC ARRIVALS TO THE DEVELOPMENT OF THE TOURIST INDUSTRY IN FIJI

A Introduction

The purpose of this chapter is to demonstrate the important role played by international air traffic arrivals in the past, present and future development of the tourist industry in Fiji. International air traffic to Fiji is considered to be the key factor to the development of the tourist industry.

Like other South Pacific Island destinations, Fiji is remote from the major international tourist markets in North America, Europe and Japan. The nearest tourist markets to Fiji are New Zealand and Australia and these are Fiji's traditional sources of tourists. The combined tourist arrivals from these two countries account for more than 50 percent of the total tourist arrivals to Fiji. Therefore, in examining the role of international air travel to Fiji it is necessary to examine the trend in international air travel to Fiji from Australia and New Zealand. It is also necessary to compare the volume of traffic between these three countries. The trend in international air traffic between the three countries is examined in detail within this chapter.

The chapter also examines the effects of civil aviation policies in Fiji, New Zealand and Australia on the development of the tourist industry in Fiji and the problems of civil aviation regulations. Finally, the chapter looks at the role of Air Pacific as the national flag carrier of Fiji, and the problems of running this airline.

The chapter is divided into the following sections:

- (a) The Role and Significance of International Passenger Air Traffic Flow to the Growth and Development of the Tourist Industry in Fiji.
 - (b) The Effect of Civil Aviation Policies on the Growth of the Tourist Industry in Fiji.
 - (c) The Effect of Promotional Air Fares to the Growth of Visitor Arrivals in Fiji.
 - (d) The Role and Problems of Air Pacific.
- Conclusion.

The main conclusions reached in this chapter are that the tourist industry in Fiji is largely dependent upon air travel arrivals for its growth and development, and because the foreign airlines dominate international air traffic operations, they also determine the rate of visitor flow to Fiji. In this regard the Fijian tourist industry is dependent upon international airline companies, whose decisions and policies on international traffic flow are independent of the wishes of the tourist industry in Fiji. Another conclusion reached is that as a consequence of the

decline in importance of Nadi International Airport in Fiji as a refuelling station, the volume of international air traffic arrivals has declined. This has also led to a decline in the rate of visitor arrivals.

The South Pacific is a highly competitive tourist region. Many tourist destinations vie for the same tourists within the region. Tourists from Australia constitute the major tourist arrivals in Fiji and New Zealand. Tourists from New Zealand form over 50 percent of tourist arrivals in Australia. Since the combined tourist arrivals in Fiji from Australia and New Zealand constitute more than half the total, these three countries, in one sense, are competing for the same tourist markets. The North American market, and in particular the United States, form the third most important tourist market to all these destinations and the third most important competitor as a destination for tourist flow from New Zealand and Australia. In the competition for tourist flow across the Pacific, Fiji is in a disadvantageous position because of its dependence on international airlines, which are controlled in its major tourist markets. Thus, when Qantas of Australia or Pan Am of U.S.A, or Air New Zealand make decisions to reduce their number of flights to Fiji, a decline occurs in the rate of visitor arrivals to Fiji from the markets these airlines operate from.

This chapter offers a proposal for Fiji to introduce cheap promotional fares through its national airline and for the

Fijian government to enter into bilateral promotional air fare agreements with its major tourist markets. The chapter also proposes the introduction of more Air Pacific services to and from Fiji's tourist markets, including the U.S.A. and Japan.

B International Air Traffic Flow and Tourist Development in Fiji

The importance of air transportation in the development of tourism in Fiji is reflected in the increase of air passenger arrivals to the destination. The volume of passenger traffic required by and for the development of the tourist industry in Fiji, however, cannot be provided by Air Pacific alone, considering the present capacity and operational problems of the airlines. These are discussed in the next section. Fiji depends largely upon other airlines operating in the South Pacific to provide the volume of visitors required to sustain the growth of its tourist industry. Over the past ten years the major airlines servicing the route to Fiji have been Pan Am, Qantas, Air New Zealand, Canadian Pacific, Air India, and Continental Airlines. Other regional airlines which service the route to Fiji are Air Nauru and Polynesian Airlines.

The introduction of the first generation of jet aircraft in the South Pacific benefitted Fiji in boosting the

growth of visitor arrivals. The jet age led to the development of Nadi Airport as a refuelling and transit port. In 1973 180,975 visitors came to Fiji by air. In the same year 206,640 passengers came through Fiji on the same aircraft³⁷⁹. The following table (xxxvii) shows visitor arrivals to Fiji by mode.

Table (xxxvii)

Visitor Arrivals to Fiji by Mode of Travel 1973-79

Year	Through Passengers	Visitors <u>SEA</u> <u>ARRIVALS</u>	Cruise Passengers	Through Passengers Changing Plane	Through Passengers of Same Craft	Visitors <u>AIR</u> <u>ARRIVALS</u>	Total Visitors
1973	40,368	5,378	59,979	4,854	206,640	180,975	186,323
1974	30,875	2,715	73,400	5,558	216,477	178,362	181,077
1975	35,244	1,995	71,812	6,087	216,638	159,703	161,707
1976	43,350	1,481	63,213	3,387	255,764	167,234	168,665
1977	30,352	983	57,101	2,012	182,402	172,036	173,019
1978	12,016	2,983	68,060	1,610	133,726	181,080	184,740
1979	4,940	4,103	63,061	3,610	125,848	184,637	188,740
1980	11,707	1,702	53,705	n.a.	n.a.	138,294	189,996

(n.a. = Not Available)

(Figures are now integrated as Through Passengers (general) in 1982 statistical record)

³⁷⁹ Current Economic Statistics, op.cit., January 1981, Bureau of Statistics, Suva, p.88.

The dominant role of air transportation in Fiji is due to the country's insularity and isolation. Because of distance from the major tourist markets and the dominant mode of transport, air travel costs to Fiji are comparatively high. Fiji is an example of a place in which the tourist industry depends almost entirely on air travel.

There has, however, been a decline in the rate of visitor arrivals in Fiji in the last five years. For example, through passengers changing planes in Fiji declined from 6,087 in 1975 to 1,810 passengers in 1978 and then increased to 3,621 in 1979³⁸⁰. Through passengers of the same aircraft passing through Fiji declined from 255,764 in 1976 to 125,848 in 1979³⁸¹.

The following diagram (Figure 7) shows the major South Pacific tourist destinations and the main international and regional air routes.

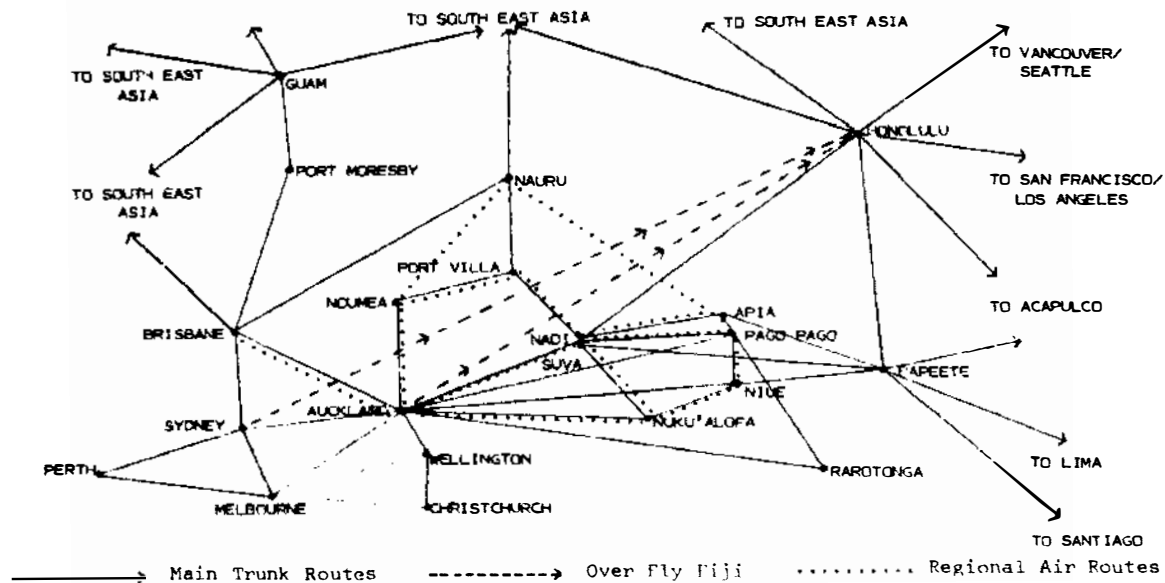
There are several factors that determine whether an airline might increase the number of flights to a particular destination. One major determinant is the volume and rate of growth of passengers travelling to that destination. In comparative terms, the volume of passengers and rate of growth of passengers travelling to Fiji is lower than the volume and rate of growth of passengers travelling on the trans-Tasman route between New Zealand and Australia.

³⁸⁰ Ibid., p.88.

³⁸¹ Ibid.

Figure 7

Major South Pacific Tourist Destinations and Air Routes



Revenue passengers from New Zealand to Nadi declined from 59,933 in 1976 to 56,895 in 1970³⁸². Total revenue from this route also declined from \$16,117,000 in 1976 to \$14,689,000 in 1980³⁸³.

The decline in the Pacific short haul, New Zealand-Nadi-New Zealand, is also reflected in the in flight trends. The total number of in flights declined from 646 in 1976 to 384 in 1978³⁸⁴. This increased to 661 in 1980. Revenue passengers from out flights also declined from 62,639 in 1976 to 57,052 in 1980³⁸⁵ and total revenue from in flights declined from \$15,355,000 to \$13,589,000³⁸⁶.

Trans-Tasman operations, on the other hand, have increased substantially within the same period, 1976-1980. Total revenue from Auckland-Sydney-Sydney-Auckland international scheduled traffic increased from \$94,449,000 in 1976 to \$129,884,000 in 1980³⁸⁷. Passengers carried on this route increased from 64,574 in 1976 to 88,304 in 1980. The trans-Tasman revenue passenger movement increased by 7.2 percent in 1980 (for details of trans-Tasman international scheduled air traffic and Pacific short haul, see Appendix L).

³⁸² N.Z. Civil Aviation Statistics, 1976-1980, Ministry of Transport, Wellington, pp.19-20.

³⁸³ Ibid.

³⁸⁴ Ibid.

³⁸⁵ Ibid.

³⁸⁶ Ibid.

³⁸⁷ Ibid., p.16.

Civil Aviation Policies

Another factor that determines whether an airline would increase its number of flights to a destination is government control. Landing rights are controlled by government and are usually negotiated through inter-government agreements.

Because of the need to protect the interests of national airlines governments are not known to be liberal in granting landing rights. In Fiji landing rights are enshrined in the *Civil Aviation Act No 12 of 1976*³⁸⁸ (hereafter referred to as the Civil Aviation Act 1976). This Act provides for the regulation and control of civil aviation in Fiji. The Minister of Civil Aviation, who is also the Minister for Tourism in Fiji, is given wide power over civil aviation operations in Fiji. The Minister is empowered to make provision by regulation and to determine what aircraft, and at which airport an aircraft may enter or leave Fiji. He also has power to determine the conditions under which passengers and goods may be carried and which aircraft may be used³⁸⁹. Similar civil aviation regulations are in operation in New Zealand and Australia.

One problem of Air Pacific in the past was their restricted

³⁸⁸ *The Civil Aviation Act No 12 of 1976.* An act to make better provision for the regulation and control of air aviation in Fiji and matters incidental thereto, Parliament of Fiji, June 1976.

³⁸⁹ *Ibid.*

landing rights in Fiji's major tourist markets. In Australia, Air Pacific has landing rights only to Brisbane. The airline operates four flights a week from Brisbane. It has no landing rights to Sydney, but it is doubtful whether it has the capacity to operate both to Sydney and Brisbane at current cost levels.

The New Zealand government guards landing rights concessions jealously. For a long time Fiji had bilateral agreement with the New Zealand government on landing rights, but Fiji felt that Air New Zealand was greatly favoured in the agreement. In the 1973 bilateral agreement, Air New Zealand had unlimited landing rights to Fiji, while Air Pacific was only allowed six flights a week to Auckland. A confrontation that threatened the whole tourist industry in Fiji occurred in 1977 when negotiations to change the 1973 agreement failed. Fiji gave notice of intention to scrap the agreement and terminate all Air New Zealand flights to Fiji. The government of Fiji felt that Air New Zealand did not only have an unfair advantage over Air Pacific but also that the New Zealand government was attempting to dictate Fiji civil aviation policy. The condition that the Air Pacific flights to Auckland must originate only from Nausori Airport and not Nadi was unacceptable to the Fijian government.

This conflict has been partially resolved. Air Pacific can operate nine flights from Nausori and Nadi to Auckland. The airline, however, has not been granted landing rights

to Wellington or Christchurch.

Although landing rights concessions, if taken, will increase traffic flow and consequently growth in visitor arrivals, airlines will only take up concessions if the volume of passengers is large enough to warrant increases and expansion in that destination or route.

2 The Effect of International Promotional Air Fares on the Tourist Industry in Fiji

The volume of passengers to any destination fluctuates from period to period. It can be stimulated to grow through promotional fares or restrained by high costs or fares.

Air travel costs in the South Pacific are generally higher than those in the North Atlantic or within North America, mainly because of distance, low market volume and high operation costs. It is difficult to compare air fares because of exchange rate fluctuations, currency devaluations and the variety of promotional fares which now exist. However, the cost per kilometre on the New York to London route was 3.9 cents in 1981; a distance of 5,561 kilometres, compared to a cost of 21.8 cents per kilometre on the Auckland to Nadi route in 1982; a distance of 2,158 kilometres.

The introduction of budget fares across the Pacific by the

airlines, Pan Am, Air New Zealand and Qantas, has added another threat to the development of the tourist industry in Fiji.

In terms of cost per kilometre, it is cheaper to travel by air from Honolulu to Sydney than it is to travel by air from Auckland to Nadi. In the case of the former, the cost per kilometre is 9.4 cents (1982) for a distance of 8,171 kilometres. In the case of the latter, the cost per kilometre is 21.8 cents for a distance of 2,158 kilometres. Similarly, the cost per kilometre from Auckland to Sydney is approximately 3.6 cents, whereas the cost per kilometre from Sydney to Nadi is 11.8 cents. These figures show that travel costs to Fiji are generally more expensive than travel costs between Australia and New Zealand and the West Coast of the United States.

E The Role and Problems of Air Pacific

Fiji will have to extend the operations of Air Pacific into the United States, especially now that there is an increasing trend to overfly Fiji in the trans-Pacific route by Pan Am, Qantas and Air New Zealand. The major problem with such an expansion is that Air Pacific has neither the capacity nor the financial resources to expand beyond its current routes.

Air Pacific is largely a Fijian concern. It was originally

created as a regional carrier in which the governments of Fiji, Solomon Islands, Gilbert Islands, Tonga, Western Samoa and Nauru, together with Qantas Airways, Air New Zealand and BOAC held shares. In 1977 the Fijian government provided \$500,000 to hold the majority (66.14 percent) of shares in Air Pacific. The following table (xxxviii)³⁹ shows the list of shareholders and percentage distribution of shares in Air Pacific.

Table (xxxviii)

Shareholders and Percentage

Distribution of Shares in Air Pacific Limited 1978

Shareholder	Share Issued (\$ per Share)	Percentage or Total Share
Government of Fiji	2,746,900	66.14
Qantas Airways Limited	380,000	9.15
Air New Zealand Limited	380,000	9.15
BOAC	380,000	9.15
Solomon Islands Government	70,400	1.70
Gilbert Islands Government	70,400	1.70
Government of Tonga	70,400	1.70
Government of Samoa	32,000	.77
Government of Nauru	22,800	.54
Paid up Capital	\$4,152,900	100.00%

³⁹ Air Pacific Limited, Annual Report, 1977-1978, Suva, Fiji, September 1978, p 15.

Air Pacific highlights the problems of a small nation running a national airline. Fiji took over the majority shareholding in Air Pacific mainly to reduce its dependence on foreign airlines and also to boost its tourist industry. But the Fijian government had to borrow funds from the Australian, New Zealand, and British governments to buy these shares. Another important feature of Air Pacific is that although the government of Fiji holds the majority of shares, Fiji has four representatives on the Board of Directors of the Airlines out of the twelve seats on the Board. All the other shareholders represented can out-vote Fiji in any major proposal involving the operations of the airline. The very presence of Qantas, Air New Zealand and British Airways associated companies on the Board of Directors, representing a combined shareholding of 27.45 percent, gives these foreign concerns a substantial say in the operation and development of Fiji's "national" airline.

The performance of Air Pacific between 1972-78 is illustrated in the following table (xxxix)¹. The airline's revenue has increased substantially by over 150 percent, from \$5,324,355 to \$16,984,145 between 1972 and 1978². The routes serviced by the airline have also increased. Route kilometres flown by Air Pacific have

¹ Ibid., pp.18-19.

² Ibid.

Table (xxxix)

Air Pacific Vital Comparative Statistics on Operations

Area	1977-78 \$F	1976-77 \$F	1975-76 \$F	1974-75 \$F	1973-74 \$F	1972-73 \$F
FINANCIAL						
Revenue	16,984,146	13,274,348	11,063,665	9,064,855	6,747,316	5,324,355
Expendit.	16,357,399	14,334,399	11,526,166	9,708,379	7,256,566	5,722,847
Operating Profit/Loss	626,744	(1,060,281)	(462,511)	(634,974)	(509,250)	(398,492)
OPERATION						
Unduplicated route km at 31 Mar	22,171	19,680	15,021	14,449	12,748	10,603
Capacity Tonne km	37,100,433	30,918,812	20,154,560	15,681,374	15,596,362	13,838,540
AIRCRAFT UTILISATION (Av. annual per aircraft)						
BACI-II	2,868	2,225	2,206	2,064	1,205	1,585
BH748	1,712	1,660	1,440	1,494	1,825	2,131
Trislander	1,642	1,262	708	854	-	-
Heron	-	-	365	1,562	944	1,103
TRAFFIC (Excl. Charter to other airlines)						
Revenue						
Pass'grs Carried	282,777	267,295	259,676	264,658	266,508	221,201
Pass'gr km flown	198,134,979	153,094,857	120,727,646	98,646,198	84,752,684	68,280
Rev. Seat Factor	59.2%	54.9%	57.1%	56.1%	49.9%	45.4%
Rev. Load Factor	56.4%	53.3%	57.7%	59.2%	48.5%	45.7%

increased from 10,603 kilometres in 1972 to 22,171 kilometres³³, an increase of approximately 102 percent. Passenger kilometres flown and revenue passengers carried have both shown increases. Passenger kilometres flown have risen from 68,280,928 to 198,134,979 between 1972 to 1978 and passengers carried have increased from 221,201 to 282,772 within the same period³⁴. These rises have been due largely to increases in aircraft capacity and expansion in route services. Air Pacific now possesses two BAC1-11's serving the general routes; two HS748's serving the regional and domestic routes; and four Trislanders, of which three are serving the Fijian internal domestic flights and one is serving the Gilbert Islands domestic route.

Despite these increases in services and passenger capacity, the operation of the airline has proved to be very costly and for some time, unprofitable. For example, although the airline recorded its highest profit in its history of \$626,744 in 1978, its losses in the past have accumulated substantially. Recorded losses rose from \$298,492 in 1972 to \$1,060,281 in 1979. In 1978 accumulated losses amounted to \$1,543,633. The profit gained in 1978, therefore, was not sufficient to offset the past losses.

³³ Ibid.

³⁴ Ibid.

The cost of operating Air Pacific is a major factor hindering its profitability. The following table (xxxx)^{39 5} shows a breakdown of the expenses involved in operating the airline.

Table (xxxx)

A Comparative Breakdown of
Expense Items 1977-78 Air Pacific Limited

Expense Items	1977	%	1978	%
Salaries and Wages	\$ 4,032,228	28.13	\$ 3,491,668	26.6
Fuel and Oil	2,952,601	20.60	4,339,755	21.3
Ground Handling: Landing Fees, Passenger and Crew Costs	1,993,120	13.90	2,355,988	14.4
Engineering Costs	1,909,761	13.32	2,384,793	14.6
Selling Costs	1,359,914	9.49	1,710,197	10.4
Aircraft Engine Depreciation	857,417	5.98	835,046	5.1
and Finance Cost	644,601	4.50	568,553	3.5
Other	584,937	4.08	671,706	4.1
TOTAL EXPENSES	\$14,334,597	100.00	\$16,357,706	100.0

^{39 5} Ibid.

Fuel costs increased substantially by \$539,067 between 1972 and 1978. With rising oil prices during the 1978 to 1980 period, the fuel bill for Air Pacific will increase proportionately, thus adding problems to the cost of operating the airline.

Considering the size of Fiji, the running costs of Air Pacific are high. The revenue derived from the operation of the airline and the financial input of the Fijian government is not enough to meet the total cost of the airline. Air Pacific has to rely largely on loans to meet some of its expenses. Total loans secured and unsecured by the airline amounted to \$2,809,111. The Fijian government loans amounted to \$250,690; Air New Zealand loans amounted to \$115,345; Qantas loans amounted to \$115,345 and loans from the Western Samoan government amounted to \$88,450³⁶.

Despite these problems the performance of Air Pacific has been substantial. In 1977 for example, the airline contributed \$5.2 million to Fiji in foreign exchange earnings. Total revenue in 1978 increased by 27.9 percent and in the same year passenger revenue increased by 28.5 percent. Revenue passengers also increased by 5.7 percent, from 267,295 to 282,777. Consequently, revenue seat and load factor increased by 4.3 percent and 3.1 percent respectively³⁷.

³⁶ Ibid., p.16.

³⁷ Ibid., p.18.

Conclusion

The decline in international air traffic flow is having a negative effect on the rate of visitor arrivals in Fiji. International aircraft arrivals in Fiji fell by 30 percent from 1973 to 1975 and further dropped by 37 percent from 1975 to 1978. The main routes experiencing a decline in traffic flow are between Fiji and its main tourist markets. For example, international scheduled air traffic from New Zealand to Fiji has dropped from 750 flights in 1975 to 521 flights in 1979, a decline of 30.5 percent. Revenue passengers on the same route have also decreased from 69,956 in 1975 to 57,730 in 1979, a decline of 10.9 percent.

The cost of air fares to Fiji is comparatively higher than the cost of some other trans-Pacific air fares and this puts Fiji at a disadvantage. For example, it costs 11.3 cents per kilometre to travel from Auckland to Nadi in comparison to 7.9 cents per kilometre from Los Angeles to Auckland.

Furthermore, the national flag carrier of Fiji has been restricted in the past by landing rights in Fiji's major tourist markets as a consequence of protectionist civil aviation policies. Air Pacific is not allowed to operate from Wellington or Christchurch, which are major international airports in New Zealand.

Air Pacific is also handicapped by operational problems. The airline has constantly recorded losses in operations from 1973 to 1979. The losses increased from \$F308,492 in 1972 to \$1,060,291 in 1977, i.e. an increase of 62.4 per cent in losses over that five year period. The profit of \$F626,744 recorded by the airline in 1978 was not substantial enough to offset the previous losses.

One strategy that has been adopted to increase visitor flow between Australia, New Zealand and the United States is cheap promotional fares agreed upon through bilateral agreements. Because these countries are Fiji's major tourist markets it would be to the advantage of Fiji to seek similar agreements on promotional air fares in order to attract more visitors. This would, however, require major international airlines to be convinced to operate promotional fares to and from Fiji. However, these companies do not operate on a particular route because of sympathy for the destination country. Economic factors such as the cost of operation, volume of passengers and traffic and market trends, and above all, profitability, determine decisions to operate on a particular route. As the chapter shows, some of these economic factors are not favourable to Fiji at the moment.

Another observation made in this chapter is that Air Pacific is a small airline compared to Qantas of Australia, Air New Zealand or Pan Am, and as such it does not have the capacity to operate at the level of these

other flag carriers. Consequently, Air Pacific routes and services are limited to regional operations, that is, to Australia, New Zealand, and other South Pacific destinations such as Tonga and Samoa. It does not operate to Japan, Hawaii or the West Coast of the United States, which are major tourist markets for the South Pacific region.

In order to increase the importance of Air Pacific's role in boosting visitor arrivals in Fiji, the airline would have to increase its services to more distant markets like Japan and the United States. The current operational problems of Air Pacific and its accumulated losses, as well as the limited range of the BACI-II's it possesses, would handicap such an expansion.

In order to improve the current slow growth rate of visitor arrivals and to stem the decline in international air traffic arrivals it would be advisable for the Fijian government to encourage more airlines to service Fiji. Charter airlines could boost the rate of visitor arrivals. Trans-Australian Airlines and Ansett Airlines of Australia could be approached to service these routes. One problem which would hinder such moves, however, would be the low passenger density on the Fiji route.

CHAPTER 12

THE EMPLOYMENT CONTENT AND TRAINING NEEDS OF THE PERSONNEL IN THE FIJI TOURIST INDUSTRY

A Introduction

The purpose of this chapter is to examine the employment content of the tourist industry in Fiji and the present and future training needs of personnel recruited in the industry.

The method of research is based on the structural-functional model, through which training organisations and training policies are identified, isolated, analysed and evaluated in terms of their effectiveness in meeting the current level of demand for trained local personnel.

A major conclusion arrived at in this chapter is that the tourist industry is a major employment sector in Fiji compared to other industries. Another conclusion is that the rate of growth of employment in the tourist industry has not increased substantially since 1975 and in some periods it has actually declined.

A further conclusion is that the institution established for the training of personnel for the industry, that is, the Fiji School for Food and Fashion, does not have the

capacity or adequate resources to meet the demand of the industry for more trained personnel. Consequently, the majority of personnel in the industry are trained on-the-job. Further, the types of training provided by the Fiji School for Food and Fashion only relate to skills in operative and supervisory areas and not in management. Consequently, the management of tourist establishments in Fiji is dominated by expatriates.

The chapter suggests strategies through which the training of personnel can be improved to provide for the management and administrative needs of the tourist industry in Fiji.

2. Tourism Employment in Fiji

One major difficulty encountered in this study is that of establishing the full employment content of the tourist industry in Fiji. This is largely due to the fact that retail traders, wholesale traders and restaurants are all grouped under one industrial category and their employment content is attributed to tourism, either directly or indirectly. This is due to the fact that duty-free trading is mainly meant to service tourism.

Consequently, in this chapter the major focus on tourism employment is on hotel employment. However, other sectors such as wholesale, retail and restaurant employment are included in the analysis.

The basic objective of employment and manpower planning in Fiji is to increase the availability of and the best use of the country's human resources in fulfilling programmes of social and economic development³⁹⁸. In order to achieve this objective the government plans to slow down the population drift from rural to urban areas to ensure a rate of growth of new employment opportunities (including self-employment) sufficient to absorb the new additions to the labour force and to reduce the unemployment rate³⁹⁹. The government also plans to provide means for the fuller employment of the under-employed, particularly those in rural areas most affected by this problem, and also to provide the means for the supply of qualified manpower to meet the occupational and skill needs required in the various industries⁴⁰⁰. The government hopes that through its training programmes, qualified Fijians will eventually take over the positions now held by expatriates⁴⁰¹.

Personnel training policy for the tourist industry is administered by the Fiji National Training Council. Most of the training, however, is in-plant training. The Council provides financial assistance to the Fiji School for Food and Fashion. In 1974 the Council contributed \$F20,203 for the construction of a demonstration kitchen.

³⁹⁸ Fiji Development Plan II, 1976-1980, op.cit., 1975, p 19.

³⁹⁹ Ibid.

⁴⁰⁰ Ibid.

⁴⁰¹ Ibid.

In 1978 it provided \$F21,000 for the construction of a housekeeping demonstration unit and classroom, and in 1979 it gave the Hotel and Catering Board a \$F46,141 grant to assist the School for Food and Fashion to purchase training equipment and materials.

The government, through the Fiji National Training Council, provides policy guidelines and aid for vocational training. The Fiji National Training Council is essentially a vocational training council that advises government on the training needs of personnel in the industry. The functions of the Council are as follows:

- (a) to provide, arrange for, or regulate the appropriate training of persons by way of apprenticeships or otherwise, and to assist such persons in connection with employment;
- (b) to arrange for the employment of such persons who are under training or have completed appropriate training;
- (c) to advise on, and to disseminate information about training;
- (d) to provide a consulting service to employers and other persons;
- (e) to make grants or loans to persons providing such courses or other training facilities as the Council may approve;
- (f) to assist and contribute towards the

cost of training and the promotion of training;

- (g) to make provision for the registration of each training course or facility of such category as it shall direct, and for the approval of each course or facility.

Under Section 19 of the Fiji National Training Council Act 1973, the Minister may impose a levy on any employer for the training of employees working for that particular establishment.

The majority of employees in the hotel and catering sector in Fiji in 1978 were not trained for their occupation. At that time, a survey carried out by the Fiji National Training Council found that only 41 percent of the total employed were trained for their occupations. This implied that some 59 percent of workers in the hotel and catering sector required some training on the job⁴⁰².

In positions of more responsibility the situation was even more extreme. Approximately 81 percent of those employed in the hotel and catering sector at management, executive or supervisory level had no pre-employment training⁴⁰³.

⁴⁰² Manpower and Training Survey, Hotel and Catering Industry, 1978, Fiji National Training Council, October 1978, p.18.

⁴⁰³ Ibid., pp.20-21.

The following table (xxxxi) shows a breakdown of the number of persons employed in the hotel and catering sector, the number requiring training and the number undergoing training in 1978.

Table (xxxxi)

Number of Persons Employed,
Trained, Undergoing Training and Number Required
to be Trained - Fiji Hotel and Catering Industry 1978

Occupation Category	Number Employed	Number to be Trained	Number Undergoing Training	Number Trained
1 Management, Executive and Supervisory Staff	564	127	105	221
2 Clerical & Office	287	53	49	121
3 Reception	162	41	30	78
4 Entertainment	115	16	1	28
5 Restaurant & Bar	1,102	214	522	401
6 Kitchen	706	179	121	249
7 Tours	67	18	2	25
8 Housekeeping	619	143	85	256
9 Maintenance	483	71	None	227
10 Storeroom	47	14	11	16
11 Ancillary Staff	18	2	11	6
TOTAL	4,005	884	572	1,628

SOURCE: Report, Manpower and Training Survey, Hotel and Catering Industry, 1978, Fiji National Training Council.

Approximately 75.7 percent of those employed at the managerial level in the hotel and catering sectors had no pre-employment training for the jobs they occupied. Similarly, over 70 percent of those employed in bars and restaurants had no pre-employment training.

There are several reasons for the shortage of trained personnel in the tourist industry in Fiji. First, the full involvement of government in the training of personnel for the industry began when the *Fiji National Training Council Act*⁴⁰⁴ was passed in 1973. By then over 4,000 people were already employed in the hotel and catering sectors, most of whom had no pre-employment training. The only means available for the training of personnel was in-plant training.

One of the first measures taken by the Fiji National Training Council was to establish a Hotel and Catering Industry Training Board⁴⁰⁵, consisting of representatives from employers, investors, and government. The main function of the Board is to identify training needs, to decide on the priority areas and to approve training programmes for the industry. The School of Hotel and Catering Services was also established to train Fijians for employment in the tourist industry. The school offers

⁴⁰⁴ *Fiji National Training Council Act*, op.cit., Parliament of Fiji.

⁴⁰⁵ *Fiji Tourism Convention 1979*, Paper presented by Jamalud Din, Director for National Training Council.

courses in general hotel services and hotel reception. It also offers a Diploma in Hotel and Catering Services⁴⁶⁶.

The General Hotel Services course aims to provide a link between the school leaver and the catering industry. It is a 36 week full-time course with in-plant industrial training. Graduates of this course enter industry as trainee chefs, barmen, waiters, waitresses and house-keepers. The Hotel Reception Course aims to give a basic knowledge of the main sections of operations in hotel and catering establishments and detailed study and training on systems, methods and equipment generally found in reception and front office. There is no particular entry requirement for the course but students with the junior school certificate or passes in the New Zealand School Certificate are the target entrants. The Diploma in Hotel and Catering is a full-time academic two year course and holders of this Diploma may enter industry at supervisory positions. Entry requirements include possession of the General Hotel Service Certificate and the New Zealand School Certificate with a pass in English. This training programme has to be chosen in partnership with industry and includes compulsory periods of in-plant training between terms. Students are normally guaranteed employment and some are actively sponsored by employers who provide them with a subsistence allowance and pay their fees in return

⁴⁶⁶ Fiji Institute of Technology Handbook, 1979.

for which the student agrees to join the employer's establishment after graduation^{*87}.

The School of Hotel and Catering Services is now called the School for Food and Fashion, which is part of the Fiji Institute of Technology. It is a small school, not yet equipped to fully meet the training needs of the personnel in the hotel and catering industry. The recruitment of personnel for training is not great.

The following table (xxxxii)^{*88} shows the number of students enrolled in the courses offered by the School of Food and Fashion in 1978.

The number of graduates produced by the school every year falls very much short of the number of trained personnel required by the hotel and catering industry. For example, in 1978 the school trained only 14 receptionists when industry required at least 41. Similarly, 214 trained kitchen staff were required by industry but the school only produced 24 students^{*89}. At the supervisory level the school was only training 26 students when the requirement was 127. It was estimated that 884 people employed in the hotel and catering sector require training but the school cannot provide more than 100 graduates per year. Because

^{*87} Fiji Institute of Technology, Annual Report, 1978.

^{*88} Ibid.

^{*89} Ibid.

Table (xxxxii)

Number of Students Enrolled
in the School of Food and Fashion, 1978

	1st Year	2nd Year	3rd Year
Diploma in Hotel and Catering	13	9	4
Service Certificate in General Hotel Services	44	36	-
Hotel Receptionists	14	36	-
Cookery (12 weeks)	24	-	-

of the inability of the school to provide the required number of trained personnel, most employees in the tourist industry in Fiji are trained on the job. Out of the total number of 884 personnel to be trained for the hotel and catering industry, it is estimated that 637 of them will be trained on the job, 145 off the job, and 82 on a part-time basis⁴¹⁰.

The school offers no management courses on tourism. The lack of such a training programme for local employees defeats the very policy of localisation or "Fijianisation"

⁴¹⁰ Manpower and Training Survey Report, op.cit., Fiji National Training Council, 1978, p.32.

of the personnel sector of the tourist industry. The shortage of trained management staff means that Fiji will have to depend on foreign experts to fill most of the managerial positions in the industry. The consequences of this to the industry include high personnel costs at the managerial level, leakages of tourism earnings due to the repatriation of earnings of foreign employers, lack of local control of major key industry positions and dependence on overseas experts. These problems, however, are not peculiar to the tourist industry alone. All the other industrial sectors manifest these characteristics as a result of lack of locally trained personnel.

The problem of recruitment and training of personnel for the tourist industry, and in particular for the hotel and catering services, is largely due to the characteristics of work in the sector. There are a high proportion of jobs in the hotel sector which are generally regarded as unskilled, a labour category which is in abundant supply in developing countries such as Fiji.

Conclusion

As yet the government input has had limited results. The current training facilities for personnel in the sector are only partially reducing the number of untrained personnel and the institutions responsible for the training of personnel are not fully meeting the demand by

the sector for more trained personnel. The majority of employees in the hotel and catering sector of the tourist industry in Fiji have had no pre-employment training for the positions they occupy. As stated earlier, in 1978 the hotel sector required 41 trained receptionists, but the School for Food and Fashion only trained 14 receptionists. Similarly, when the sector required 44 trained kitchen staff, the school trained only 24 students. At the supervisory level, industry required 127 trained staff but only 26 students were undergoing training¹¹.

In 1978 it was estimated that 284 people employed in hotel and catering required training, but the Fiji School for Food and Fashion, which is the major training institution for the sector, is not capable of providing 100 graduates per year for the industry. This is because of the limited resources available for training. Consequently, the majority of the personnel in the industry would have to be trained on the job.

Moreover, the current emphasis on training for operative services restricts the employment opportunities of Fijians in the industry to the lower skilled areas. As a result, expatriates and not Fijians are highly represented at the management level of the occupational structure. The University of the South Pacific in Fiji, however, is well

¹¹ Fiji Institute of Technology, Annual Report, 1979.

equipped to train Fijians for management positions in the tourist industry. It has, however, not yet provided courses in management training.

In order to remedy this situation, management training programmes for Fijians must be provided. This is a goal stated in the Development Plan VII, but examination of the training programme and the extent of training as well as the employment structure of the tourist industry shows that Fiji is not able to provide all the trained personnel required by the industry. At the operative levels, however, industry would continue to be the major trainer in the form of on the job training.

PART IVCHAPTER 13COMPARATIVE ANALYSIS OF TOURISM
DEVELOPMENT AND ADMINISTRATION IN NEW ZEALAND AND FIJIA Framework for Comparative Analysis

Comparative analysis is a social science methodology still monopolised by political scientists and anthropologists. Yet it is a natural area of study and methodology for management and administrative policy science.

Throughout the thesis the theoretical framework maintained in the case studies provides the basis and factors for comparative analysis. The case studies, New Zealand and Fiji, show that in all sectors of the industry the types of tourism policies and organisations largely determine the degree and extent of tourism development, although of course, each country has specific policies appropriate to its particular context.

Fiji and New Zealand are located in the South Pacific basin, just three hours flight from each other. The two countries are traditional trading partners, with New Zealand being a major exporter to Fiji. New Zealand is

also a major source of aid to Fiji and contributes greatly in the training of Fijian manpower.

New Zealand is an affluent country with a highly developed technological base and an advanced modern agricultural system. Fiji, on the other hand, is a developing country. It is mainly a primary producer.

Both Fiji and New Zealand are tourist destinations in the South Pacific, offering different and similar tourist products in the same markets. The climatic and cultural differences between the two countries account for the variation in content of the tourist products they offer.

New Zealand is a tourist market of Fiji, but the latter does not generate tourists directly for New Zealand. Over 40,000 tourists from New Zealand visited Fiji in 1978, the second largest tourist group to Fiji next to Australians. Fiji, however, competes with New Zealand for the tourist dollar in the other major markets.

Fiji offers a warm tropical climate, sandy beaches, duty-free shopping and friendliness to Australians and New Zealanders. The cold winter climate in these latter countries makes Fiji and other tropical South Pacific destinations attractive to vacationers who travel out in winter.

Both New Zealand and Fijian tourist developers are concerned

with the problems of seasonality and there are suggestions to deal with this problem. New Zealand, however, stands a better chance of reducing the problem of seasonality since it offers a winter product, skiing. New Zealand also has a larger domestic tourist market which regards winter sports such as skiing as part of its lifestyle. In Fiji the wet period is in summer. This is also a very humid period which tourists tend to avoid. Thus, from December to June Fiji experiences a low tourist season.

The location of New Zealand and Fiji and the differences in economic development between the two are largely responsible for the comparative advantage of New Zealand over Fiji, as neighbouring South Pacific tourist destinations. The framework for comparative analysis is based on the identification of key tourism sectors and resources, the types of tourism policies which govern their operations, the objectives defined in such policies, and the way these sectors have been developed in both countries. The areas that form the basis for a comparative analysis therefore are in the field of government development policies on the following:

- Tourist Accommodation
- Tourist Promotion and Marketing
- Tourist Transportation
- Tourism Employment and Personnel Training

B Tourist Accommodation

Both the New Zealand and Fijian governments are keen to maintain the orderly development of the tourist accommodation sector. Unlike Fiji, the New Zealand government, through the government-owned Tourist Hotel Corporation, the Tourist and Publicity Department and Air New Zealand Limited, takes part in selling hotel beds and competes directly with the private sector.

The Fijian government does not have organisations similar to those in New Zealand. The only organisation in Fiji with some similar functions is the Fiji Visitors' Bureau which carries out promotional campaigns for all sectors of the industry, like the New Zealand Tourist and Publicity Department, but it does not sell tours. In this regard, the New Zealand government has a greater involvement with the New Zealand tourist industry than the Fijian government has with its industry.

Both governments, however, provide various forms of financial incentives to encourage the development of the tourist accommodation sector. The New Zealand Income Tax Act 1975 provides a 22 percent first year depreciation allowance to tourist accommodation developers. In Fiji tourist accommodation developers can claim a depreciation allowance or subsidy from the government according to the provisions of the Hotel Aid Ordinance. The application of these depreciation allowances in New Zealand has proved to

be effective. As at May 1978, 90 projects providing 6,464 beds at an estimated capital value of \$43.5 million qualified for this allowance¹² ■

The development banks of both destinations provide loans and guarantees to tourist industry developers, particularly in the accommodation sector. The Development Finance Corporation provides loans and guarantees to New Zealand tourist accommodation developers through the government Tourist Accommodation Development Scheme. Since this scheme was reintroduced in New Zealand in 1970 on a guarantee basis, loans totalling \$3,918,650 and guarantees totalling \$14,775,550 have been made. These covered 3,493 beds extending over twenty projects¹³ ■

In Fiji the Government Aid Relief to hotels in the form of an investment allowance increased from \$48,813 in 1975 to \$268,716 in 1977¹⁴. The Fiji Development Bank has also increased its loans to the tourist industry. The bank's tourism loans increased by 14 percent of the number of establishments and by 388 percent of the amount released between 1976-1977. In fact, 4 percent of the total bank loans in Fiji go to the tourist industry and of this the accommodation sector receives over 60 percent¹⁵.

¹² Report of Accommodation Committee, Tourism Conference, 15-16 August 1978, Tourism Advisory Council, p.2.

¹³ Ibid.

¹⁴ Source: Commissioner of Income Tax, Suva, Fiji, 1979.

¹⁵ Fiji Development Bank Report, Annual Report, op.cit., 1978, pp.16-17.

The Fiji National Provident Fund¹⁶, another statutory body, also provides loans to the tourist industry. Fijian hotels which received loans from this source include Hotel Samabula, Island in the Sun Limited, Pacific Hotel and Development Limited, and Travelodge Fiji Limited.

One common policy approach applied by both the New Zealand and Fijian governments toward the development of the tourist accommodation sector is the provision of financial incentives such as tax deductions, which began in the mid 1960's. In New Zealand all tourist enterprises can claim a 150 percent tax deduction on all expenditure incurred in promotional activities. Hotel developers in Fiji enjoy a government subsidy of 7 percent of total capital expenditure incurred in any project that has gained the approval of the Minister. Hotel developers may alternatively claim an amount equal to 55 percent of total capital expenditure incurred on any project as an investment allowance subject to no tax. They can also import all their capital equipment without paying duties and can also be exempted from tax 5-10 years after commencing operation. The effects of these incentive policies stimulated the growth of the tourist accommodation sectors in both destinations. The number of beds available in Fiji increased from 3,105 in 1969, when the Hotel Aid Ordinance was passed, to 8,309 in 1976. In New Zealand the number of hotel and motel rooms available

¹⁶ Fiji National Provident Fund, Annual Report, 1972, p. 7.

has increased substantially in the last ten years. Hotel rooms in New Zealand have increased from 10,535 in 1969 to 15,056 in 1977. The number of motels increased from 699 in 1968 to 1,259 in 1977. The decline and low rate of visitor arrivals in both countries in the last five years would suggest that it would be unwise to expand the current accommodation capacity.

The comparative analysis of the types of incentives used in Fiji and New Zealand to stimulate the growth of the tourist accommodation sector demonstrates the extent to which these types of policies can be effective. They can stimulate the growth of the sector, but there are other features which also determine the growth of tourist accommodation. One other such factor is visitor arrivals.

C Tourism Promotion and Marketing

Growth in the tourist accommodation sector is largely determined by growth in visitor arrivals, and consequently more tourism earnings. In both New Zealand and Fiji the governments have established bodies responsible for promotional activities in conjunction with the private sector. In New Zealand, tax incentives are provided to the private sector for promotional activities. The role and function of the Tourist and Publicity Department illustrates the important part the New Zealand government has played in promoting New Zealand as a major tourist

destination in the South Pacific, in competition with Australia, the United States and the South Pacific islands.

The total expenditure estimate of the Tourist and Publicity Department in the 1979-1980 financial year was \$13,225,000. Of this total, tourist promotion accounted for \$3,086,000. The main function of the Department is to promote travel to, within, and beyond New Zealand and to develop domestic tourism. To publicise New Zealand overseas in the national interests of tourism, trade and prestige, the Department is empowered to provide and operate a booking service and to assist overseas travel agents.

Air New Zealand is also a major promoter of the New Zealand tourist industry. In 1978 the national airline's increased costs on sales and publicity totalled \$43,404,452 or 16.2 percent of total costs incurred. This figure increased to \$86,890,000 and represented 14.6 percent of the airline's total operating costs in 1981. Air New Zealand also offers promotional fares to and from New Zealand in the major tourist markets of the region.

Unlike the New Zealand government, the government of Fiji does not have a full department of tourism. The Fiji Visitors' Bureau is not as developed as the New Zealand Tourist and Publicity Department. The Fijian government spent \$700,000 in 1978 in grants to the Fiji Visitors' Bureau for its promotional functions. Considering the nature and

extent of competition in Fiji's tourist markets and the cost of promotional charges there, one cannot but note that Fiji is highly disadvantaged in these markets. Unlike New Zealand, therefore, the Fijian government relies more on the promotional activities of the private sector. Fiji depends, to a large extent, upon tour operators in New Zealand, Australia and the United States to promote its product.

The growth of visitor arrivals to Fiji and New Zealand in the last ten years has been phenomenal. Visitor arrivals to New Zealand for holiday and vacation purposes alone have increased from 11,258 in 1970-1971 to 247,483 in 1978-1979. Similarly, total visitor arrivals to Fiji in the same period have increased from 173,019 to 184,063.⁴⁶

Despite these phenomenal increases in both countries, the tourist industry in both New Zealand and Fiji has suffered periods of decline in the last five years. In Fiji visitor arrivals between 1973-1978 dropped from 186,077 to 173,019. In 1975 the percentage change over the previous year in visitor arrivals was down by 10.7 percent. The downturn in visitor arrivals in Fiji during that period was due to a decline in the arrival of visitors from the United States, the United Kingdom and Canada. Visitor arrivals from the United States to Fiji, for example, declined from 42,066 in 1973 to 29,499 in 1978.

Similar declining trends also occurred in visitor arrivals

46: NEW ZEALAND VISITOR STATISTICS, VOLUME 1, 1980-81, NEW ZEALAND TOURIST AND PUBLICITY DEPARTMENT, WELLINGTON, NEW ZEALAND

to New Zealand. Australian visitor arrivals declined from 222,804 in 1977 to 215,516 in 1981. A similar decline also occurred in the number of arrivals from the United States and Canada to New Zealand. In fact, the total annual percentage change in visitor arrivals declined from 25.0 percent in 1974 to 2.8 percent in 1978.

The low rate of visitor arrivals to Fiji and New Zealand, however, was not a global phenomena. Some countries recorded high growth rates, while others recorded declines or low growth rates. The following table (xxxxiii)⁴¹⁷ shows percentage changes in the number of visitor arrivals in selected countries.

In the Carribean and the Pacific the rates of growth in visitor arrivals also varied. For example, in 1980 Barbados recorded an increase of 17.1 percent; Jamaica recorded an 11.7 percent increase; while in the Bahamas a 4.8 percent increase was experienced over the previous year⁴¹⁸. In the Pacific, French Polynesia recorded a 7.7 increase in 1980; Hawaii recorded an increase of 16.6 percent; Fiji experienced a 2.5 percent increase, New Zealand 7.6 percent increase and Australia recorded an increase of 14

⁴¹⁷ Tourism Policy and International Tourism in OECD Member Countries - Evolution of Tourism in OECD Member Countries in 1980 and the Early Months of 1981. Report adopted in July 1981 by the OECD Tourism Committee, the Organization for Economic Co-operation and Development, Paris, 1981, p.7.

⁴¹⁸ World Tourism Statistics, Volume 33, 1978-1979, World Tourism Organisation (1980 Edition), Part 1, A-1, Madrid, 1981.

Table (xxxviii)

Percentage Change in Number of
Visitor Arrivals in Selected Destinations 1981

Destination		Percentage Change Over Previous Year
Japan	(5 months)	20%
Portugal	(4 months)	11%
Switzerland	(4 months)	6%
Canada	(4 months)	5%
Greece	(5 months)	5%
Norway	(5 months)	3%
Spain	(5 months)	- 3%
Austria	(2 months)	- 4%
Turkey	(3 months)	- 4%
United Kingdom	(4 months)	-10%

percent over the previous year⁴¹⁹.

The above increases include all visitor categories. In New Zealand visitors who came for holiday or vacation purposes increased by 1.4 percent in 1981.

⁴¹⁹ Ibid.

Despite efforts by government and private operators to promote the growth of tourist arrivals in Fiji and New Zealand, the high rate of visitor arrivals recorded in both destinations in the late 1960's and early 1970's has not been sustained. In fact, in the late 1970's both destinations actually experienced a decline in the rate of visitor arrivals, although marginal increases occurred between 1980 to 1981. This decline would suggest that more promotional efforts are required by destinations to stimulate demand in their major markets. The level of expenditure that went to direct promotional activities from the New Zealand tourist and Publicity Department in the 1978-1979 financial year was only \$2,208,000 for all the major New Zealand tourist markets. Considering the cost of promotion and advertising in the United States, Australia and Europe, the extent of these markets, and that this sum of \$2,208,000 was allocated to all these markets, the actual amounts for each market would be relatively small and only enough to maintain present levels of promotional activities without allowing for expansion. Similarly, Fiji suffers from inadequate promotional funding from the government. The \$F700,000 provided to the Fiji Visitors' Bureau to carry out promotional activities in Fiji's major tourist markets like New Zealand and Australia is inadequate to meet the high promotional costs charged by the media in these countries.

D. Air Transportation

New Zealand and Fiji depend almost entirely on air travel for the growth of visitor arrivals. Over 90 percent of visitor arrivals in both countries come by airplane. Because of the significance of air travel in the region, the part that this transport mode plays in the tourist industry is significant in any tourism development planning.

The distance from New Zealand and Fiji to the major travel markets in North America and Europe is one major problem related to the low volume of tourist arrivals in both destinations. The effect of distance on air travel is reflected in the high cost of travel to these destinations. In June 1982 the air travel cost per kilometre from Sydney to Nadi - a distance of 3,171 kilometres - was 11.8 cents in contrast to the cost per kilometre from New York to London - a distance of 5,561 kilometres - which was 3.9 cents in 1981. Air travel costs to Fiji from its major tourist markets are also comparatively more expensive than from the United States to Australia, or New Zealand. The cost per kilometre from Los Angeles to Nadi was 9.6 cents compared to a cost of 7.0 cents per kilometre from Los Angeles to Sydney, in June 1982. Similarly, the cost per kilometre from Brisbane to Nadi was 13.8 cents for a distance of 2,158 kilometres, in contrast to the cost per kilometre of 9.4 cents from Honolulu to Sydney, a distance of 8,171 kilometres in June 1982.

The comparatively high air fares to the South Pacific continue to be a constraint on the growth of tourism in both New Zealand and Fiji. The introduction of promotional fares in the region should stimulate the growth of tourist arrivals to both destinations. Already the major airlines operating in these destinations provide low promotional fares. Continental Airlines, Qantas, Pan Am and Air New Zealand offer a series of promotional fares. The extent to which airlines can provide promotional fares, however, is limited by government regulations.

The protective civil aviation policies in Fiji and New Zealand towards their national flag carriers would have to change if the tourist industries are to be stimulated towards growth. The policies which restrict other airlines from servicing these routes limit the flow of visitors. The more airlines which operate on a particular route the greater the chance of increasing the volume of passengers. Civil aviation policies are not designed to stimulate the growth of the tourist industry in New Zealand or Fiji. Landing rights are jealously guarded to protect national interests and national independence.

One strategy available to both New Zealand and Fiji to increase the rate and volume of visitor arrivals is to encourage charter flight operations in and out of both countries. Air New Zealand and Air Pacific can increase their charter operations considering the size of the tourist markets in both Australia and New Zealand where

both airlines operate. Air New Zealand earned \$19,490,000 in the 1978 financial year on charter operations. That is, 8.6 percent of total revenue earned. This was, however, mainly earned by lease agreement with British Airways and the hire of DC-8 aircraft to Qantas for Wellington services. Air Pacific's revenue from charter operations is minimal. Revenue from this source in 1977 was .53 percent of total revenue earned and this was entirely based on lease of aircraft to other airlines in the Pacific and in Africa, as was the lease of the aircraft by Fiji to the government of Malawi.

Charter operations have many advantages. Airlines can charter an aircraft or a number of flights to operators who, in conjunction with hotel operators, offer attractive tour packages with discount prices. The principle strategy in charter operations is to fill capacity in both the vessel and the hotels, thus ensuring the maximum utilisation of resources. In both New Zealand and Fiji the travel companies are well placed to provide charter packages through group tours. Charter operators are a ready market to airline companies, but airlines in the South Pacific, particularly the larger airlines like Air New Zealand and Qantas, prefer to keep charter operations out of the market because they are seen as threats to their share and advantage in the tourist market. Charter operators, however, argue that their services are not only complementary to scheduled services but in fact they stimulate travel demand in the markets in which they

operate.

In order to increase the rate and volume of visitor arrivals in both New Zealand and Fiji, tourism planners and policy makers in both countries could encourage the development of charter operations to and from these destinations. This would mean a major departure from current civil aviation policies.

E Tourism Employment and Personnel Training

The employment content of the tourist industries in New Zealand and Fiji is relatively high in both cases. In New Zealand the tourist accommodation and catering sector (hotels, licensed restaurants) employed 32,700 people in 1978. The travel sector (airlines, rental vehicles, travel agencies, tourist services, public relations offices) employed approximately 21,700 in the same year. This gives the tourist industry in New Zealand a total employment content of over 50,000.

For a country the size of Fiji direct tourism employment is also very high. The hotel and catering services employed 4,000 people in 1978, which is approximately 5 percent of the total employed in Fijian industries. This figure does not include those employed in travel services such as the Government Visitors' Bureau, or those in the airline services.

The largest employment sector in the tourist industries of both countries is the hotel and catering sector. The personnel problems associated with this sector are found in both countries. One problematic feature of tourism employment in both countries is the high content of unskilled and untrained personnel in the tourist industry. While some form of formal training programmes for the hotel and catering services are provided in both countries, there are few training programmes available for those in the travel sectors.

The organisation of personnel training for the tourist industry is similar in both New Zealand and Fiji. In New Zealand the Hotel and Catering Industry Training Board, established since 1974, is responsible for providing training programmes required by the personnel of the sector. This Board is subject to the authority of the Vocational Training Council, which caters for all industries. The Board, through the Central Institute of Technology, provides a diploma course in hotel and catering administration, a short 12-week course in hotel and motel management, a full-year receptionist course, a wine and liquor service certificate, a chef traineeship, as well as courses in food and beverage management and tourism management. It also provides short courses on front office and reception as well as a refresher course in house-keeping. All such training programmes are largely financed by the New Zealand government through its various grants and incentive schemes. The government provides 90 percent

of the administrative costs of all training boards.

In Fiji the formal training of personnel for the hotel and catering industry is also largely a responsibility of government. The Fiji National Training Council is a similar body to the New Zealand Vocational Training Council. It is a government body responsible for the personnel training of all Fijian industries. It has a Hotel and Catering Industry Training Board, with similar functions to the New Zealand Hotel and Catering Industry Training Board. Through the School for Food and Fashion at the National Institute of Technology a diploma course in hotel and catering is offered. Other courses include a certificate in general hotel services, a receptionists course and a cookery course. The school is largely financed through grants from the Fiji National Training Council.

Despite the availability of such training programmes in both countries, there is still a large number of personnel in the sector who have had no formal training for the jobs they occupy. One reason for this is the character of the industry which has some low skill requirements in the hotel and catering sectors. Hotel and catering service proprietors do not find it difficult to recruit waiters, waitresses, barmen and kitchen hands in times of rising unemployment in both Fiji and New Zealand.

In Fiji there are no tourist training programmes available for those who wish to pursue a career in the travel trade

such as travel agent management, tour excursion management, or condominium management, such as Pacific Harbour Management. Management positions in this sector are entirely manned by expatriates.

In New Zealand there are some training programmes provided by the Travel Institute Training Council (now amalgamated with the Civil Aviation Training Board). There is a New Zealand Certificate of Commerce (travel option) course offered by the Central Institute of Technology.

In 1978 the Training Council introduced the IATA/UFTAA Professional Passenger Agents' Diploma Course. The Training Council also provided short courses on travel and tourism throughout the country. At Massey University undergraduate and graduate students may take tourism management units as part of the units that make up their degree.

In general, New Zealand and Fiji have similar problems concerning the type of personnel in the industry, and both have adopted similar approaches to provide training programmes, although the New Zealand government provides more training programmes and incentives. The Fijian government provides no training incentives to employers. Instead, it levies the employers for the training of industry personnel.

The extent of personnel training in both countries cannot meet the needs of the tourist industry. This is largely

because the numbers recruited for training purposes are far below the number requiring training. Another related factor is the lack of capability of the training bodies and institutions to meet the needs of the industry in both countries.

Conclusion

The comparative study on the two case studies, Fiji and New Zealand, shows that the degree, type and impact of tourism development is dependent to a considerable extent upon the types and effects of government tourism policies and the types of administrative organisations which formulate and administer them. The analysis on the case studies demonstrates the causal relationships between administrative and development policy types and the effects of these policies on tourism development and administrative processes.

CHAPTER 14CONCLUSIONTHE EVALUATION OF TOURISM POLICYIMPACT: A STRUCTURAL AND FUNCTIONAL APPROACHA Tourism Policy Evaluation Process

In order to test the validity of the proposition that tourism development is, to a large degree, dependent upon the effectiveness of tourism policies, these policies must be evaluated in terms of their functionality, that is, the effect they have. The proposition suggests that the impact of policies is discernible and can be evaluated, but to achieve this a vigorous approach of analysing and evaluating the impact of policies must be established through the use of explicit criteria and standards of evaluation. The use of the structural-functional method of evaluation allows for the conceptualization of policies in terms of functional inputs and tourism growth and development in terms of functional outputs.

The evaluation of tourism policies involves problems. These include a criterion to ascertain quality, that is, both quantitative and qualitative aspects of quality of a process. Evaluation also involves the establishment of a standard to appraise the ascertained quality.

The most straight-forward approach to evaluating a process is to take net output, defined as output minus input, as the primary criterion. However, such a criterion cannot be used outside very narrow limits because it is often hard to measure, conceptualize, or even identify the output of all policy processes. The problem of intangible effects and the problem that the effects of policies and different outputs occur at different times makes the evaluation of policy effects difficult in terms of net output.

The effects of tourism policies and tourism organisations, however, can be evaluated in terms of the 'real' output they have on development processes. Real output is defined to include the qualitative and quantitative outputs of policies. It therefore includes the immediate effects of policies in real terms and the effects of policies that manifest themselves over a period of time. The qualitative aspects of real output include product quality, meaning the quality of tourist industry services. The quantitative aspect of real output includes the extent to which tourist accommodation incentive policies aid the growth in the number of hotel or motel beds. It also includes the extent to which promotion policies stimulate growth in the rate of visitor arrivals.

Evaluating policies and organisations in terms of real output involves two main problems, namely identifying the real outputs and examining the validity of using output as the primary criterion. Identifying the real output,

however, is hindered by several problems. First, it is hard to conceptualize, describe, or even qualitatively identify many elements of real output. Second, it is impossible to quantify many other elements of real output. Third, there are additional variables that interfere and make it difficult and often impossible to isolate all specific effects of any policy. Fourth, the real output tends to be dispersed over time. Fifth, there are frequently chain results and spillover effects in many developmental processes. In order to deal with the problem of identifying real output in a structural-functional framework of analysis it is necessary to set down a series of cut-off points, or a horizon in terms of time, territory and spheres of activities beyond which the effects of policy can be ignored.

Thus, in the thesis, all major tourism policies are identified in terms of when they were established, their subsequent reformulation, or when they were abolished and new policies established. This enabled the establishment of the horizon or limit within which one can evaluate specific policies and some specific real outputs. In the analysis and evaluation of tourism policies, specific territories and spheres of activities have been identified on areas where the effects of tourism policies are mostly felt. In the process of evaluation the factors that determine policies are also analysed in terms of back-grounds to policy formulation.

§ Tourist Accommodation Development Policies

In Chapter 3, concerning the development of the accommodation sector of the New Zealand tourist industry, the period between 1949-1955 is analysed to identify the types of policies and organisations that existed then, and their effects are evaluated in terms of the needed effects they had in that period. For example, the policies that governed licensed hotels in New Zealand which were established in 1948 and 1949, namely the *Licensing Amendment Act* and the *Licensing Trust Act*, although they were formulated to stimulate growth, they contributed to inhibiting it in regard to accommodation suitable for overseas tourists in the 1950's.

Similarly, the effects of the *1955 Tourist Hotel Corporation Act* of New Zealand and its subsequent amendment in 1973 are evaluated in terms of their consequences. For example, it was partly because of the shortages of suitable tourist accommodation that the New Zealand government initiated a policy of direct government supply of suitable tourist accommodation. It was for this reason that the Tourist Hotel Corporation Act of 1955 was passed. But the policies established in 1955 which governed the operation of the Corporation created problems for its growth and profitable operation. The Corporation was directed to provide superior standard accommodation and services in remote areas where it would not compete with private entrepreneurs, who in general were opposed to the establishment of

a government tourist hotel system that competed with them. The effects of this policy directive was to exclude the Tourist Hotel Corporation from operating in the major tourist areas like Rotorua for a long while, confining it to the wilderness areas such as the national parks. Operating in remote areas created financial and administrative problems for the Corporation due to the cost involved in providing high quality accommodation in remote areas for a limited and very seasonal market.

Consequently, the Corporation recorded many years of financial losses. In 1969, for example, the Corporation experienced a net loss of \$1,041,653. In 1972 the net loss was reduced to \$166,000.

The Corporation recorded profits from 1973 to 1978. In 1973 policy directives were given to the Corporation by a new Labour Party Government to operate in resort areas and to provide low tariff accommodation and meals for the domestic market. These new policies enabled the Corporation to attract more New Zealand guests at the same time as it was meeting the needs of the overseas visitors. Between 1973 and 1974 the number of New Zealand guests to Corporation hotels had increased by 24.6 percent of the total number of guests to Corporation hotels. The Labour Government policy directives to the Corporation also contributed to the financial successes of the Corporation in the years that followed. For example, profits from the hotel side increased from \$NZ\$31,498 in 1973 to

\$NZ2,173,266 in 1976. These financial results were the direct outcome of policies that allowed the Corporation to operate in tourist areas which in the past it had been excluded from, and to provide low tariff meals and accommodation that would attract the domestic tourist market.

The evaluation of these tourism policies in New Zealand provides examples that illustrate some effects of policies in the development processes of the tourist industry. The analysis and evaluation of these policies show that some of the effects were not the intended objectives for which the policies were formulated, while some of the effects were contributions toward the objectives of developing the tourist industry. This is illustrated in the differences in policies of the 1955 government toward the Tourist Hotel Corporation and those formulated by the 1973 government. Although the time and conditions were different, the intention of the policies had real effects on the past and present development of the Tourist Hotel Corporation in New Zealand.

The concept of policies and organisational inputs mean that the policies and organisations are functional variables, that is, policies and the organisations that implement them cause effects which can be used as criteria for evaluating policy and organisational impact studies.

The effects of government policies on the development of the accommodation sector of the New Zealand tourist industry

is further illustrated in the following findings. New Zealand governmental budgets have always provided some form of policies to develop the tourist industry. The 1963 budget, however, was a turning point in the history of the development of the industry. It provided comprehensive measures to aid the development of the industry in the form of \$NZ1,000,000 for the purpose of a loan and guarantee scheme and a depreciation allowance in order to attract overseas capital, as well as to support local investors. The government also removed the restrictions on the repatriation of overseas capital.

Following the 1963 budget, New Zealand Breweries Limited announced a \$4 million hotel and motel construction programme throughout the country. In that same year Pan American Airways Limited also embarked upon the construction of a 333 room hotel in Auckland. Approximately \$NZ10,000,000 was spent on tourist accommodation in New Zealand in 1963.

The 1968 New Zealand government budget provided further incentives to the tourist accommodation sector. These included an increase in the depreciation allowance, an increase on the limit of government loans and guarantees and a minimum equity participation of 25 percent. The loan and guarantee incentives policy was continued until 1973 when it was abandoned, but it was reintroduced in 1976 and is now administered by the Development Finance Corporation.

In order to evaluate the impact of these policies one would

need to establish a standard of identifying impacts or effects. Tourism policy effect is defined as the output of implemented policies.

The reintroduction of the tourist accommodation development scheme in New Zealand led to the release of \$28,693,000 in 1976 in the form of loans and guarantees, of which \$13,918,000 was in the form of guarantees and \$14,775,000 in the form of loans. These sums provided by the government were allocated to help finance 20 tourist accommodation projects that would provide 3,493 beds. Since 1975, when the 22 percent depreciation allowance was introduced, 90 tourist accommodation projects providing 6,464 beds, estimated to the value of \$NZ43.5 million, have qualified for the depreciation allowance.

The impact of the development policies is also reflected in the growth of hotels and motels in New Zealand from 1969 to 1980. Hotel establishments have increased in number from 409 hotels in 1969 to 543 in 1980, that is, an increase of 24.6 percent in just over a decade. This increase may not be considered significant considering the time it took, but increases in the number of hotel establishments are not true reflections of real growth in accommodation capacity. The increases in the number of establishments may not be significant but the increases in the number of rooms may be significant if fewer buildings are erected that provide more rooms. This is exactly the case in New Zealand. Between 1969 to 1980 hotel rooms

increased from 10,535 rooms in 1969 to 16,322 in 1980, that is, an increase of 35.4 percent. Motel development showed a more dramatic growth pattern. Motels in the same period increased from 699 motels to 1,268 motels, that is, an increase of 44.8 percent. Motel units increased from 5,070 units to 11,523 units in the same period, that is, an increase of over 100 percent.

Government policies in Fiji have also produced results in the growth and development of the accommodation sector. The first tourist accommodation development policies are embodied in the 1964 Hotel Aid Ordinance, which is still in operation. Some of the incentive policies in the Ordinance provided a 7 percent grant in subsidy form of the total capital expenditure incurred in any project by a hotel owner where the project has been approved. Hotel owners also have a choice of applying for an investment allowance and claiming an amount equal to 55 percent of the total capital expenditure incurred in any project. This allowance is exempted from income tax. In 1975 these incentives were further liberalized.

One functional impact of the tourism policies embodied in the 1965 Hotel Aid Ordinance was the development and growth of tourist accommodation in Fiji. Tourist accommodation growth trends and investment in the sector grew substantially in the period between the latter part of the 1960's and the early part of the 1970's. In 1963 there were 853 hotel beds and 492 hotel rooms available in Fiji. In 1967,

that is, three years after the establishment of the Hotel Aid Ordinance, the number of hotel beds had increased to 1,894 and the number of hotel rooms had increased to 1,059. Another indication of the functional impact of the Ordinance was the growth in hotel investment. Approximately 24 percent of total private fixed capital formation was accounted for by tourism investment, most of it being on hotel investment. Up until 1975, the tourist accommodation sector in Fiji had experienced a steady growth. Between 1970-1975 the number of hotel rooms available had increased from 1,587 to 3,162 and hotel bed capacity in the same period had increased from 3,259 to 7,259 beds.

From the above analysis of tourism policies concerned with the development of tourist accommodation in New Zealand and Fiji one major conclusion is that similar policies have been used in both countries to stimulate growth in a particular sector of the industry. Moreover, these policies did stimulate growth of tourist accommodation. However, these policies were not the only factors that contributed to the growth and development of the tourist accommodation sector in New Zealand and Fiji. One other major factor was the increase in the volume and rate of visitor arrivals in both countries from the late 1960's up to the mid 1970's. This factor should, however, be viewed as a contributing factor, rather than a sole cause, of tourist accommodation growth. Visitor arrivals alone may be a sufficient cause in some instances, but because of

the high capital cost of tourist accommodation investment, investors tend to solicit aid from government in order to reduce the high costs associated with tourist accommodation development.

C Evaluation of Tourism Promotion Policies

The volume and rate of visitor arrivals at any destination is the most important determinant in tourism development. Because of this, governments create organisations and policies to promote the country. In New Zealand, as in Fiji, the government provides most of the financial and organisational functions for tourism promotion. In both governments, tourism promotion is a major activity. Because of the significance of tourism promotion, it is important to analyse and evaluate the impact of government promotion policies in terms of the effects they have on tourism development. By so doing, one would be able to identify the extent of functionality of these promotion policies and organisations. That tourism promotion policies are desirable is indisputable, but to analyse the extent of their effectiveness is more important. As the information shows, promotion policies are not always very successful. In both the New Zealand and Fijian studies, many problems have been identified as factors that inhibit the effectiveness of tourism promotion policies. These problems are mainly inadequate financial and organisational input. In both of these South Pacific

destinations the growth rate of the tourist industry has been sluggish since 1978, and in some years the rate of visitor arrivals actually declined.

Tourism promotion policies in New Zealand can be identified in two areas, namely, the policies that govern the functions of the Tourist and Publicity Department, and the incentive policies provided for tourist industry enterprises to promote their services. A detailed analysis of the functions and problems of the organisation has been given in the text. In summary, the Tourist and Publicity Department has a staff ceiling of 600 people in 1982 and it functions like a travel agency. It operates, sells, and provides a booking service to overseas travel agents. It has travel commissions in Sydney, Melbourne, Brisbane, San Francisco, Los Angeles, New York, Tokyo and Frankfurt. It has a research and development division. The analysis and evaluation of the information and data available on the functions of the Department, however, show that it has problems promoting New Zealand effectively because of limited resources, principally financial resources. The financial analysis of the Department's votes and estimates show that in 1978 \$NZ22,020,000 was spent on direct promotional activities. The analysis of estimates of promotional costs and expenditures in some of New Zealand's major tourist markets show that New Zealand's promotional fundings are relatively small. It is estimated that \$NZ1,759,250 was spent promoting travel to New Zealand in Australia in 1978. Total measured media expenditure on

travel advertisements in Australia in 1976 was \$AUS19,838,925. Seen in this context, New Zealand's promotional expenditure in Australia represented only 8 percent in comparison to the total expenditure on tourism advertising in Australia by promoters of other destinations.

In the North American market, which is the second largest generator of tourists to New Zealand, it was estimated that \$NZ2,550,000 was spent promoting New Zealand in 1978. The analysis on media advertising costs in North America and the vastness of the North American market shows that the amount of funds available for New Zealand publicity and promotion in that market is insufficient to have any substantial impact. In the opinion of the Tourism Advisory Council, the present promotional funds allocated to the Tourist and Publicity Department are only adequate to service existing markets and do not permit effective competition to increase New Zealand's market share or the exploitation of opportunities for growth.

The New Zealand government provides a tourism promotion tax incentive to the private sector. Private sector tourist enterprises can claim on tourism promotional expenditure that is allowable as export market development expenditure. An amount equal to 150 percent of that promotion expenditure is tax deductible.

It is estimated that public and private enterprise expenditure on tourism promotion of New Zealand was \$NZ5.5

million in 1976-77. In evaluating the impact of the promotion policies that generated promotional expenditure, one must establish a criterion upon which to measure the impact of these promotional policies. One such criterion is to correlate and equate promotion expenditure with the volume and rate of visitor arrivals. Put another way, how many dollars and cents spent on promotion generate what amount of visitor arrivals? To measure the precise impact or effect of promotion expenditure by using visitor arrivals as output it is possible to establish how much each tourist cost in terms of dollars spent. Thus, according to the 1976-77 figures, the \$NZ5.5 million spent on promotion generated 380,222 tourist arrivals. This works out to \$NZ14.47 spent per tourist. This equation, however, has some pitfalls. First, it does not provide enough information to prove that the 380,222 visitor arrivals were a direct result of the tourism policies and promotion expenditures. Second, there are additional intervening factors which are intangible and which influence the decision of tourists who come to visit New Zealand. Consequently, it is impossible to quantitatively measure the direct impact of tourism policies.

But if one has to evaluate the effectiveness of tourism promotion policies the most valid criterion is to use visitor arrivals as output indicators of the effectiveness, especially the cost effectiveness of promotion policies and expenditure in terms of the rate of visitor arrivals they generate. In this regard the cost of

promotion expenditure per tourist to New Zealand is relatively small but effective in generating arrivals. But, in the opinion of the New Zealand Tourism Advisory Council, the level of government expenditure on tourism promotion is small by commercial standards. In 1976-77 the government ploughed back only 1.43 percent of total Reserve Bank Travel Receipts into promotion and marketing. The Tourism Advisory Council has advised that the normal commercial practice is to return 4.5 percent of travel receipts to the expenditures of the Tourist and Publicity Department for promotion and marketing in order to generate more visitor arrivals.

The injection of more funds into tourism promotion, however, does not guarantee a growth of visitor arrivals. There are other factors influencing growth in visitor arrivals, such as the economic climate, i.e. the availability of disposable income for travel and leisure purposes, current air fare regimes, and the cost of travel. These factors, together with promotion activities, are some of the determinants that influence growth or decline in visitor arrivals. Thus, in the New Zealand case we have a situation in which promotion funds are available and are being used for the promotion of New Zealand tourism in Australia, yet since 1974 the annual percentage increase of Australian visitor arrivals in New Zealand has declined successively from 36.7 percent in 1974 to a low of -1.6 percent in 1981. Total visitor arrivals in New Zealand in 1981 increased by only 4.5 percent.

The main conclusion from the analysis and evaluation of tourism promotion policies in New Zealand is that the private sector welcomes government promotion policies and sees them as playing functional roles, namely as aid and incentives. These policies do play a role in determining the extent of promotional activities. In New Zealand's case, the problem of the tourist industry is not the lack of promotion policies but the limited amount of funds spent on promotion. Thus, according to the Tourism Advisory Council, the present level of funds spent on promotion in New Zealand's main tourist markets is only adequate to maintain the current level of activities and does not allow for deeper market penetration, despite the existence of well developed organisations such as the Tourist and Publicity Department, that promote New Zealand overseas and which are solely designed to implement publicity and promotion policies.

The evaluation of promotion and funding policies for tourism development in Fiji also reveals similar findings as the New Zealand case. Fiji has a Ministry of Tourism, Transport and Civil Aviation, where tourism policies are formulated and transmitted to the relevant tourism organisations for their implementation. The Ministry of Tourism, Transport and Civil Aviation also executes policies. The main organisation responsible for the promotion of tourism in Fiji is the Fiji Visitors' Bureau. The analysis and evaluation of the composition, function and financing of the Bureau show that this organisation is

not adequately equipped to perform its functions more effectively than it has done in the past. When the Bureau was established in 1969 it was financed mainly from voluntary contributions from the tourist industry and the government. As the Bureau reported in 1978, this form of funding meant it had to carry out its functions by making do with what it had in the way of "loose" funds and consequently had to carry out its promotion activities in a "stop-go" manner. These funds were irregular and inadequate.

However, despite these problems encountered by the Fiji Visitors' Bureau, visitor arrivals in Fiji grew substantially between 1969 to 1973. Total visitor numbers increased from 110,042 to 181,323 in 1973, which is an increase of 64.5 percent. This growth in visitor arrivals during that period was attributable more to a world wide growth in tourism than the effects of tourism promotion policies initiated by the Fijian government. The Fiji Visitors' Bureau in fact was established during a buoyant period and consequently its work was relatively minor then. The promotion and marketing of Fiji as a tourist destination was largely carried out at that time by foreign-owned tourist enterprises operating in Fiji's major tourist markets.

Since 1974 the rate of tourist visitor arrivals in Fiji has declined and in some years a negative growth rate has been recorded. For example, tourist arrivals, excluding

through passengers, totalled 186,322 in 1973 in contrast to the 181,077 recorded in 1974. In 1975 a further decline of -10.7 percent of the total arrivals in 1974 was again recorded. Between 1976 to 1980 there has been some modest increase in visitor arrivals. Annual tourist visitor arrivals in Fiji increased by the following percentages between 1976 to 1979:

1976.....	4.3 percent
1977.....	2.6 percent
1978.....	6.4 percent
1979.....	2.5 percent

It is significant to note that these growth rates recorded since 1976 coincided with the changes in the Fijian government's policy towards the funding and consolidation of the functions of the Fiji Visitors' Bureau. The realization of the precarious nature of the dependence of Fiji on foreign owned tourist enterprises to promote tourism in Fiji, in combination with the decline in the rate and volume of visitor arrivals recorded from 1973 to 1976 led to the amendment of the Fiji Visitors' Bureau Ordinance. The 1977 amendment provided for the direct funding of the activities of the Bureau by the government. Since then the Bureau has expanded its activities. In 1978 it was granted \$F700,000 by the government, of which \$250,000 was spent on direct promotion of Fiji in its major tourist markets. Considering the size of Fiji, the economy of the country, and the

volume of visitor arrivals, a quarter of a million dollars is a substantial contribution for tourism promotion and publicity. Thus, according to the Fiji Visitors' Bureau, the growth trends in visitor arrivals recorded by the Fiji tourist industry from 1978 onwards has been partially attributed to the direct funding of the Bureau's activities by the government. In this sense the policy change has had functional effects in stimulating growth in visitor arrivals.

Another problem associated with the evaluation of effects of tourism promotion policies is concerned with determining what these policies are. Tourism promotion policies include those that set out specific mechanisms of funding and aiding promotion activities including publicity. In more general terms, a tourism promotion policy may include investment policies, tourist accommodation policies and transport policies, all of which are designed to promote and aid the development of the tourist industry in general, and the tourist industry sub-sectors in particular. In this sense, all tourism policies can be categorized as promotion policies. In this thesis, however, the tourism promotion policies are defined as those specifically designed for promotion and publicity activities.

The main conclusions arrived at in the evaluation of tourism promotion policies in New Zealand and Fiji are that promotion policies are seen in both countries as

playing a necessary role in stimulating the growth and development of the tourist industry. One major difference in the approach to promotion policies between New Zealand and Fiji is that a specific incentive tourism promotion policy that provides a financial incentive in the form of tax deductions exists in New Zealand, but such an incentive is not available in Fiji. Both governments, however, provide funds for their respective government departments to carry out direct promotional and publicity activities.

Another conclusion arrived at is that promotion funding policies are not the main causes of tourism development or growth in the rate of visitor arrivals. This is largely because of the major roles that other variables play in generating growth or decline in the rate of visitor arrivals and consequently, tourism development. These observations, however, do not mean that promotion policies do not have functional effects. One can identify the areas where these effects occur.

D Evaluation of Tourist Industry

Personnel Training Policies

One of the major findings in my analysis of the employment content of the tourist industry in New Zealand and Fiji is that the majority of the personnel employed in various services in the industry have had no pre-employment training. Yet there exists policies in both countries

which are specifically designed for the recruitment and training of personnel in the industry and to reduce, if not to eliminate, the problem of employing untrained personnel.

In the analysis and evaluation of the effectiveness of policies designed for the personnel training, the output of trained personnel by the institutions responsible for training has been used in order to establish whether the training policies are producing the desired objectives, that is, reducing the number of untrained personnel in the industry. In areas where the desired objectives are not being achieved the factors responsible for the ineffectiveness of training policies have been identified.

The analysis and evaluation of the policies governing personnel training for the tourist industry in New Zealand show that these mainly provide subsidies and incentives. The government also provides training institutions and organisations such as the Vocational Training Council and the training boards and through these makes training programmes available for all industries, as well as providing the bulk of the funds, in the form of grants, for training personnel. These grants are appropriated to the training boards according to their administrative and training activity needs.

The main institutions for training personnel for the tourist industry are the Central Institute of Technology

(CIT), which offers a diploma in hotel and catering administration. CIT also offers a twelve week course in hotel management. The five polytechnics (Wellington, Otago, Auckland, Waikato and Christchurch) offer chef training programmes. In 1978 a national total of 255 students were enrolled in these programmes.

There are two training boards that are responsible for providing training programmes; the Hotel and Catering Industry Training Board (HCITB) and the Travel Industry Training Board. The functions of these organisations have been discussed in Chapter 1.

Despite government incentives and institutions for personnel training, one of the major problems of the tourist industry in New Zealand is the shortage of trained personnel. In 1979 16,379 people were employed in restaurants and hotels. In a survey carried out by the Personnel and Training Committee of the New Zealand Tourism Advisory Council in 1977-78 on four Auckland, Wellington, Christchurch and Rotorua hotels, 67 percent of those interviewed indicated that they had no training experience prior to their employment. Over 80 percent of hotels employ less than 50 percent full-time workers and only 5 percent employ over 100 full-time workers in New Zealand.

In the light of the above information, it would appear that existing personnel training policies in New Zealand are not having the desired effect of providing more

trained personnel for the hotel and catering sector of the tourist industry. This problem exists in the travel sector, which includes travel agents and tour operators. The total estimated staff requiring training in travel and tourist services was 8,674 in 1978. The New Zealand Central Institute of Technology offers a Certificate of Commerce (travel option), but the output of graduates from the programme is low. In 1977 only 134 students were enrolled, of which 20 were in the final year. To remedy this shortage of trained personnel the Travel Industry Training Council, now amalgamated with the Aviation Industry Training Board, runs short courses in travel management. It also offers the IATA/UFTAA Professional Passenger Agents' Diploma.

At the university level tourism studies are still at the nascent stage. Various departments in the social sciences supervise research topics on tourism. Geography departments in particular have always maintained interest in the phenomena of tourism. It appears that only the Business Studies Faculty of Massey University have introduced a structured course in tourism management, offered as an internal and extramural paper, but this course is not a major paper. It is mainly studied as a unit towards other degrees or diplomas. The potential for this faculty to provide professional training for personnel at the management level is enormous. It obviously has the facilities to do so as well as qualified trainers in its various departments, e.g. Accounting and Finance,

Marketing, Business Studies, Management Education and Development Centre (MEDC) and the Business Studies Research Centre (BSRCS), which includes a computer training and research unit. The Massey University tourism management study programme lacks the support of the tourism industry. This support is essential if the Massey programme is to be fully developed. It could be argued, however, that the employers would only support this programme when good graduates are produced and the product proved to be a professionally trained person.

The personnel training policies for the tourist industry in Fiji are similar to those in New Zealand. The government of Fiji, through the Fiji National Training Council (FNTC) provides policies and financial aid for vocational training. FNTC is essentially a vocational training council that advises the government on training needs of personnel in industry. The functions of the FNTC have been discussed in Chapter 12. The Council has a Hotel and Catering Industry Training Board whose function is to identify training needs, to decide on priority areas and to approve training programmes for the industry. The FNTC 1963 Act empowered the Minister to impose a levy on any employer for the training of employers working for that establishment. The main training institution for personnel in the tourist industry is the Fiji School for Food and Fashion, which is part of the Fiji Institute of Technology. The school offers a diploma in hotel and catering, a general hotel service certificate, and a

reception course certificate, but no management courses are available. There are no training programmes tailored to the needs of the tourist industry at the university level in Fiji.

The evaluation and analysis of the personnel training policies and institutions available in Fiji and the training needs of personnel in the industry leads to the conclusion that current policies and training programmes are not meeting the increased demand for trained personnel, especially at management level. The data available shows that in 1978 approximately 81 percent of those employed at the management, executive and supervisory levels in hotel and catering services had no pre-employment training. Approximately 75 percent of those employed at management levels in the hotel and catering services had no pre-employment training on the job they occupied at that time. The 1978 figures show that of the 4,005 employed in the hotel and catering services, only 1,628 had some form of pre-employment training. The institutions responsible for personnel training in Fiji, however, are not fully equipped to meet all the skill requirements of the industry, nor do they have the capacity to produce large numbers of graduates to substantially reduce the number of untrained personnel. In this regard the Fiji tourist industry and the New Zealand tourist industry have similar problems of having to employ untrained people because of the training facilities' limited resources and inability to meet the personnel training needs of the industry at

present.

Several problems have been cited in the thesis as reasons for the high content of untrained personnel in the tourist industry in Fiji and New Zealand. In general, these are:

- (a) The high content of unskilled jobs in the tourist industry, in particular in the hotel and catering services.
- (b) The high content of part-time workers in the hotel and catering services, due to the seasonal nature of the industry.
- (c) The availability of a large labour market which is a consequence of high unemployment.
- (d) The low occupation status of hotel and catering services, in particular, catering, waitressing and housekeeping.
- (e) The inability of training institutions to produce, on large scale, trained graduates.
- (f) The unwillingness of employers to meet the cost of training.

- (g) The current low growth rate of the tourist industry, which inhibits the injection of funds for the training of personnel for the industry.

These factors are all present in both New Zealand and Fiji and are the major obstacles for the effective implementation of policies provided for tourist industry personnel training.

F. Evaluation of Tourist Transport Policies

1) International Air Transport Policies

The growth and development of the tourist industry in both New Zealand and Fiji is, to a large extent, dependent upon the growth and development of the transport sector. It should be noted that nothing like tourist transport policies exist in either country. Transportation policies that affect the tourist industry are those embodied in the transport legislations or civil aviation legislations. Thus, in any attempt to develop a tourist industry it is necessary to formulate transport policies that contribute to the development of the tourist industry. In both New Zealand and Fiji the most important transport service for the tourist industry is air transport. Over 90 percent of tourist arrivals at both destinations arrive by air. Other significant transport services include coach and

rental vehicle services.

The most important transportation policies for the tourist industry in both countries are civil aviation policies. It is necessary, therefore, to analyse the effectiveness of these policies in promoting the development of each country's tourist industry. Since both countries have their own national airline, it is significant to analyse and evaluate the role and performance of these airlines in terms of their effect on the past, present and future development of the tourist industry. It is also necessary to evaluate the general trends in international air travel in the Pacific basin in order to show the effects these trends have on the growth and development of the tourist industry in New Zealand and Fiji and how civil aviation legislation affects tourism development.

Civil aviation policies, as expressed in legislation, are basically protective in both countries. The government determines what aircraft and which airport an aircraft may enter or leave, and the conditions under which passengers and goods may be carried, and which aircraft may be used. Civil aviation legislations are entrenched sovereign rights of all nations and are guarded jealously. The interpretation of these legislations has been to restrict the number of airlines that operate in the destinations. In New Zealand the government implementation of civil aviation policies tends to protect Air New Zealand, a public corporation largely owned by the government.

The protection of the national airline also finds expression in the government monopoly of fixing and controlling air fares. The analysis on international air fare structures shows that trans-Pacific air fares are generally higher than those in the North Atlantic or within North America. For example, according to 1981 air fares, it cost 3.9 cents per kilometre on the normal New York to London route, a distance of 5,561 kilometres, compared to 10.4 cents per kilometre from Honolulu to Auckland, a distance of 7,265 kilometres. In 1980 alone, Air New Zealand's trans-Tasman air fares increased by 30 percent. In 1981 there were also increases and in 1982 there was a 7 percent increase by June. These trends are not conducive to the development of the tourist industry in New Zealand.

These are some examples of how civil aviation policies are interpreted to protect the national interest or the national flag carrier. In the past, Air New Zealand performed well and recorded high growth rates and high profit margins. As for many other international airlines, the period between 1980-1982 has not been very successful. Air New Zealand's net profit has successively declined since 1979. In the 1980 financial year the airline recorded a consolidated trading loss of \$15,938,000. This increased to \$43,436,000 in 1981. The airline's problems are due to increasing operating costs, which totalled \$469,541,000 in 1980, an increase of 25 percent over the 1979 figure. This increased to \$595,080,000 in 1981. Air New Zealand is highly involved in travel promotion and

consequently contributes greatly to the development of the tourist industry in New Zealand, but it alone cannot cater for the needs of the industry, such as growth in the rate of visitor arrivals. As a result, the New Zealand tourist industry is also dependent of foreign-owned airline operators that service New Zealand. Current travel market trends in the United States and the Pacific show a decline in travel demand. Consequently, the major scheduled airline companies operating in these areas are experiencing a downturn in revenue and Air New Zealand is one of them.

Fiji's problems with international air travel are similar to those of New Zealand, although more acute in that Fiji depends largely on foreign-owned airlines and its national airline does not have the capacity to compete effectively against the larger companies operating in the region.

Fiji depends largely on tourist flow from New Zealand and Australia, but civil aviation policies in these markets restrict the operation of Air Pacific, the Fiji national flag carrier. This illustrates the effect that other countries' civil aviation policies can have on the development of another country. Since 1972, Air Pacific has continuously recorded an operating loss. Its accumulated loss in 1978 was \$1,543,633.

Another significant trend is that the rate of visitor flow to both New Zealand and Fiji has declined. In the light of these trends one main conclusion is that existing

protective civil aviation policies are neither aiding the national flag carriers nor stimulating growth in the rate of visitor arrivals. In fact, evidence provided supports the conclusion that these policies inhibit the rate of visitor arrivals. It could be suggested, therefore, that in order to increase the rate of visitor arrivals, current civil aviation should be abandoned and the protective policies for national airline companies removed. There should be price deregulation to allow for more competition. Charter airline companies should also be encouraged, for they too can stimulate travel demand.

2) Other Tourist Transport Policies

In New Zealand, coach tours and rental vehicles are important components of the tourist industry. Existing policies toward these two sectors are not designed to stimulate growth. In fact, the operations are highly regulated. These services do not enjoy incentive policies similar to those of the tourist accommodation sector. Coach builders have to pay duty on heavy equipment such as chassis imported from overseas and rental vehicle operators are penalised in the form of high tax on larger vehicles. All these are seen as disincentives by these two tourist transport services in New Zealand. In Fiji these services require only a licence to operate and coach tour operators enjoy a tax concession for the importation of equipment related to tourism industry development. Such concessions should be available in New Zealand to enable the ground

services to operate more effectively, both in terms of earnings and the service provided.

The main conclusions reached regarding transportation policies in both New Zealand and Fiji are that nothing like a tourist transportation policy exists in either country. Consequently, the tourist industry transport components operate within policies embodied in general transport legislations. That such legislations do not meet the growth and development needs of the tourist industry is illustrated by the fact that civil aviation policies, as they exist today in New Zealand and Fiji, do not encourage the operation of more airline companies. Secondly, air fare controls by governments also inhibit growth in that they discourage price competition. Thirdly, civil aviation and other transport policies in New Zealand do not provide incentives enjoyed by other sectors of the economy. If tourism is to be given the impetus it needs to be a major growth sector in New Zealand and Fiji, the present protective civil aviation policies need to be abandoned in favour of a liberal, if not a radical, approach. Tourist transportation is an area where specific policies should be provided that are relevant to the other specialized transport components of the tourist industry, rather than subjecting them to general transport policies.

F Tourism and National Park Policies in New Zealand

In researching and analysing the relationship between tourism development and the national park system in New Zealand, it was found that although national parks were established to aid the development of the New Zealand tourist industry, present national park policies are basically protective and conservative to the extent that tourist private sector use of national park resources is still restricted. For example, only the government-owned Tourist Hotel Corporation is permitted to operate hotels within national park boundaries.

Private sector access to high altitude snow deposits which have ski resources are also subject to tough conditions and regulations. The National Park Authority's basic philosophy is one of conservation and protection and does not see national parks as playing an economic role for the tourist industry. This is unlike the United States and Africa, where national parks are regarded as integral parts of the tourist industry. In New Zealand, therefore, national park policies are not designed to aid the tourist industry. Today there are ten national parks in New Zealand, containing the most beautiful sites of the country's landscape. To suggest that they should be fully commercialized would be unacceptable in many quarters, especially to conservationists. But if the tourist industry is to grow and develop, national parks must be made to play an effective economic role in order to contribute to this.

Conclusions

The growth and development of tourism results from a complex variety of interdependent factors acting among themselves and combining with each other at varying degrees of intensity to generate growth and development. One such major factor is the role and effectiveness of tourism policies in the development process.

Tourism policies are able to play functional roles because they can create organisations and can also generate growth. This is because tourism policies and organisations can ensure the performance of a task for which they are designed with a reasonable level of effectiveness. In this way, policies operate as a set of strategical measures to meet the problems of growth and development.

The effectiveness of tourism policies, however, is dependent upon the resources as well as policy resource inputs that are available. These include environmental, economic, administrative, financial and human resource inputs.

This study shows that the effectiveness of tourism policies is difficult to identify and some aspects are impossible to evaluate. In this examination of tourism policy impact the sectoral needs of the tourist industry have been identified, as well as the output or performance of these sectors and the effectiveness of tourism policies

evaluated in terms of their contribution towards these sectoral outputs or performance and in terms of providing the means to meet these sectoral needs.

There are, however, limitations in using a structural-functional approach to evaluate tourism policies. These include the problem of identifying real output; the problem of quantifying some aspects of output; the practicality of providing a precise measurement standard for policy effectiveness; the problem of additional variables that interfere and make it impossible to isolate specific effects of tourism policies; the problem of dispersal of outputs over time; and the frequent chain results and spillover effects into the other sectors of the economy.

Despite these limitations in the impact or effectiveness of tourism policy evaluation, it is possible to collect and organise a selection of data about tourism and tourism policies and subject them to a theoretical framework against which an approach can be formulated for the evaluation of tourism policy effectiveness. Such has been the use of the structural-functional theoretical framework in this thesis.

Tourism growth and development, as the study shows, is to a large degree dependent upon the effective implementation of tourism policies. The diagnostic and evaluative approach provided for in the functional-structural frame-

work shows that the various policies and industry units and their interactions constitute a subject matter of attention. Where tourism policies prove to be non-existent or dysfunctional, new policies should be provided to fill the gap or reformulated to provide more strategic measures.

The growth and development of tourism is also determined by factors other than tourism policies. The economic climate is also a major determinant. In periods of economic depression, the travel industry, like other industries, tends to suffer a decline. Other economic factors include fluctuations in demand for travel. Similarly, the political climate also tends to have effects on the tourist industry. Political instability in destination countries tends to have negative effects on the growth and development of the industry. Other factors that affect the industry include policy decisions made by foreign operators such as foreign airlines who in some cases terminate their services in certain destinations.

Finally, any government that is minded to assist its industries would be well advised to select those industries with potential for growth. In New Zealand and Fiji, the tourist industry has a lot of potential for growth. This is adequately demonstrated in the past and present performances of the industry, despite the problems it still faces in both countries.

List of AppendicesAppendix

- A Annual Financial Statements of the Tourist Hotel Corporation of New Zealand, 1973-1980.
- B Trends of Motel Accommodation in New Zealand, 1968-69 to 1979-80.
- C Trends of Hotel Accommodation in New Zealand, 1968-69 to 1979-80.
- D New Zealand Accommodation Capital Cost: Average Cost by Type, 1978.
- E Enrolment in Chef Training Programmes in New Zealand, 1975-1978.
- F Estimated Training Requirements of Personnel in the Travel and Tourist Services in New Zealand, 1978.
- G New Zealand Hotel and Catering Industry Career Paths Training, 1978.
- H New Zealand Travel Industry Training Council's Career Structure for the Travel Industry, 1978.
- I Visitors and Arrivals in New Zealand by Purpose - Year Ended 31 March 1981.
- J Age Structure of Visitors on Holiday or Vacation, Years Ended 31 March.
- K New Zealand Reserve Bank Travel Receipts by Months (Excluding Fares) Years Ended 31 March.

List of Appendices (Cont'd)

Appendix

- L International Scheduled Air Transport
(Excluding Transitting Traffic) Trans-Tasman:
Auckland-Sydney-Auckland Total Traffic,
1975-1980.
- M International Scheduled Air Transport
Pacific Short Haul: New Zealand-Nadi-New
Zealand, Total Traffic, 1975-1980.
- N Total Paid Employment in Fiji as at End of Each
Quarter, 1977-1980.
- O Fiji Visitor Arrivals: Number by Country of
Residence, 1975-1979.
- P Fiji Monthly Visitor Arrivals - Mode of Travel,
1973-1979.
- Q Fiji Hotel Statistics: Analysis by Hotel Size
and by Turnover, 1974-1979.
- R Hotel Statistics by Occupancy and by Visitors,
1974-1979.
- S Fiji International Aircraft Traffic by Port,
1970-1979.
- T List of Officials Interviewed in Suva Between
19 November 1979 and 16 December 1979.
- U Tourist Regions Visited in Fiji Between
19 November 1979 and 16 December 1979.

Appendix A

Annual Financial Statements of the Tourist Hotel Corporation of New Zealand, 1973-1980

Items	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Turnover	\$9,073,197	\$11,717,671	\$13,431,403	\$15,848,000	\$18,546,558	\$19,243,232	\$21,754,548
Gross Profit	6,101,922	7,863,258	8,942,729	10,608,333	12,702,448	13,640,454	15,468,605
Staff Costs	3,237,998	4,073,161	4,702,716	5,248,852	5,714,021	6,099,446	7,072,920
Other Hotel Expenses	1,932,426	2,394,551	2,349,551	3,186,215	4,514,103	4,991,105	5,990,208
Hotel Profit	931,498	1,440,546	1,532,880	2,173,266	2,474,327	2,549,324	2,405,477
Administration, Marketing and Architectural Costs	467,196	502,382	627,747	613,200	735,466	859,590	1,033,157
Depreciation and Capital Cost Written Off	357,148	440,910	429,185	533,071	624,259	756,068	909,646
Interest on Debenture and Term Loans	53,140	268,850	295,539	411,060	602,572	812,850	689,832
Net Profit (Loss)	54,014	228,404	180,409	615,935	512,027	121,435	(226,832)

Source: These figures were collected from the Annual Reports of the Tourist Hotel Corporation, which are submitted to the New Zealand Parliament every financial year.

Appendix BTrends of Motel Accommodation in New Zealand1968-1969 to 1979-1980

Year	Motels	Percentage Change Over the Previous Year	Units	Percentage Change Over the Previous Year
1968-69	699		5,070	
1969-70	758	8.4	5,992	18.1
1970-71	856	12.9	6,541	9.1
1971-72	892	4.2	7,137	9.1
1972-73	923	3.4	7,693	7.7
1973-74	1,096	18.7	8,991	14.4
1974-75	1,225	11.7	10,160	13.0
1975-76	1,227	0.1	10,431	2.6
1976-77	1,259	2.6	10,427	0.4
1977-78	1,253	0.4	10,418	0.8
1978-79	1,301	3.8	11,427	9.6
1979-80	1,268	2.5	11,523	0.8

Source: New Zealand Accommodation Inventory and Room Occupancy Rates, Volumes 1968-1969 to 1979-1980, Tourist and Publicity Department, Development and Research Division, Wellington, New Zealand.

Appendix CTrends of Hotel Accommodation in New Zealand1968-1969 to 1979-1980

Year	Major Accommodation Hotels	Percentage Change Over the Previous Year	Rooms	Percentage Change Over the Previous Year
1968-69	409		10,535	
1969-70	416	1.6	10,963	4.0
1970-71	427	2.1	11,238	2.6
1971-72	456	6.3	12,483	11.0
1972-73	459	0.6	12,857	2.8
1973-74	460	0.2	13,061	1.6
1974-75	467	1.5	13,571	0.3
1975-76	477	2.0	14,424	6.2
1976-77	496	3.8	15,056	4.3
1977-78	522	4.9	15,538	3.2
1978-79	589	11.3	17,064	9.8
1979-80	543	7.8	16,322	4.3

Source: New Zealand Accommodation Inventory, Volumes 1968-1969 to 1979-1980, Tourist and Publicity Department, Development and Research Division, Wellington, New Zealand.

Appendix DNew Zealand Accommodation Capital Costs:Average Cost by Type, 1978

- (a) Single storey - small on flat, small town site -
modest standard with kitchen and dining area -
no public access.

Land, parking, landscaping.....	\$ 1,800
Building, including office and storage.....	9,800
Furnishing and fittings.....	2,400
Holding charges and interest.....	500
Contingencies and cost escalations.....	700
<i>TOTAL PER UNIT</i>	<i>\$ 15,200</i>

- (b) Two storey - 120 room, tourist area site, medium
standard - minimum public areas - restaurant - heated.

Land, parking, roading, landscaping.....	\$ 360,000
Building.....	2,280,000
Fees.....	242,000
Furnishing, fittings & equipment.....	708,000
Holding charges and interest.....	207,000
Legal and sundry costs.....	28,000
Contingencies and cost escalations.....	220,000
<i>TOTAL</i>	<i>\$4,065,000</i>

Appendix D (Cont'd)

- (c) Six storey - 120 rooms - city perimeter site - medium standard - medium public access - bar and restaurant - air conditioned.

Land and site development.....	\$ 230,000
Buildings, including up to 30 car parks....	3,470,000
Fees.....	372,000
Furnishing, fittings & equipment.....	710,000
Holding charges and interest.....	360,000
Legal and sundry costs.....	50,000
Contingencies and cost escalation.....	400,000
TOTAL	\$ 5,592,000
(\$46,600 per room)	

- (d) Twelve storey - 210 rooms - central city site - semi-luxury standard - medium public access - bar and restaurant - air conditioned.

Land.....	\$ 1,240,000
Buildings, including up to 30 car parks....	8,550,000
Fees.....	940,000
Furnishing, fittings & equipment.....	1,010,000
Holding charges and interest.....	1,693,000
Legal and sundry costs.....	100,000
Contingencies and cost escalation.....	1,800,000
TOTAL	\$15,333,000
(\$73,014 per room)	

NB: The cost per room is calculated at total capital cost of travel accommodation, divided by the number of lettable rooms.

Source: Report of the Accommodation Committee, Tourism Advisory Council, August 1978, Wellington, New Zealand.

Appendix E

Enrolment in Chef Training Programmes in New Zealand

1975-1978

Year	No of Trainees Enrolled	Number Remaining Dec. 1975	Number Remaining Dec. 1976	Number Remaining Dec. 1977	Number Remaining Dec. 1978
<u>WELLINGTON POLYTECHNIC</u>					
<u>1975</u>					
Intake 1 (Feb)	19	13	10	9	8*
Intake 2 (Apr)	19	15	10	7	6*
Intake 3 (Nov)	13	13	4	4	--
<u>1976</u>					
Intake 4 (Mar)	18	-	14	12	12
Intake 5 (Oct)	13	-	13	11	9
<u>1977</u>					
Intake 6 (Feb)	11	-	-	11	8
Intake 7 (Jun)	15	-	-	15	12
<u>1978</u>					
Intake 8 (Apr)	13	-	-	-	13
Intake 9 (Jun)	8	-	-	-	8
TOTAL NUMBER OF TRAINEES					66

Anticipated number of trainees commencing training in 1979 = 24

OTAGO POLYTECHNIC

<u>1975</u>					
Intake 1 (Feb)	10	10	10	10	
Intake 2 (May)	10	10	8	8	4*
Intake 3 (Sep)	5	5	4	4	4
<u>1976</u>					
Intake 4 (Feb)	9	-	6	3	2
Intake 5 (Jun)	15	-	14	11	11
Intake 6 (Jul)	4	-	4	4	4
<u>1977</u>					
Intake 7 (Jan)	18	-	-	18	17
Intake 8 (Apr)	18	-	-	18	17
<u>1978</u>					
Intake 9 (Jan)	6	-	-	-	6
Intake 10 (Apr)	7	-	-	-	7
Intake 11 (Jun)	13	-	-	-	13
TOTAL NUMBER OF TRAINEES					80

Anticipated number of trainees commencing training in 1979 = 24

Appendix E (Cont'd)

Year		No of Trainees Enrolled	Number Remaining Dec. 1975	Number Remaining Dec. 1976	Number Remaining Dec. 1977	Number Remaining Dec. 1978
<u>AUCKLAND TECHNICAL INSTITUTE</u>						
<u>1975</u>	Intake 1	32	23	20	14	12*
	Intake 2	32	25	23	14	-
<u>1976</u>	Intake 3	24	-	24	16	15
<u>1977</u>	Intake 4	17	-	-	12	12
	Intake 5	12	-	-	11	11
<u>1978</u>	Intake 6	13	-	-	-	13
	Intake 7	7	-	-	-	77
TOTAL NUMBER OF TRAINEES						58

Anticipated number of trainees commencing training in 1979 = 32

WAIKATO TECHNICAL INSTITUTE

<u>1975</u>	Intake 1	11	11	9	7	3*
	Intake 2	13	13	11	8	-
<u>1976</u>	Intake 3	12	-	10	6	7
	Intake 4	7	-	-	7	7
<u>1977</u>	Intake 5	9	-	-	-	9
TOTAL NUMBER OF TRAINEES						23

Anticipated number of trainees commencing training in 1979 = 12

CHRISTCHURCH TECHNICAL INSTITUTE

<u>1977</u>	Intake 1 (Jul)	12	-	-	11	11
<u>1978</u>	Intake 2	9	-	-	-	8
	Intake 3	10	-	-	-	9
TOTAL NUMBER OF TRAINEES						28

Anticipated number of trainees commencing training in 1979 = 20

TOTAL NUMBER OF TRAINEES UNDER SCHEME AS AT 1 DECEMBER 1978 = 255
TOTAL NUMBER PLANNED TO COMMENCE DURING 1979 = 112

* Awarded Board Diploma

Source: Report of the Personnel and Training Committee, Tourism
Advisory Council, August 1978, Wellington, New Zealand.

Appendix F

Estimated Training Requirements of Personnel in the Travel and Tourist Services in New Zealand, 1978

(a) Total Staff

Estimated present training required.....	8,674
Estimated future (5 years) training required.....	7,012
Estimated total future (5 years) training required.....	15,686
Estimated total future (10 years) training required.....	22,698
Estimated total training per year (10 years).....	2,269

(b) Operative Staff

Estimated present training required.....	7,293
Estimated future (5 years) training required.....	6,542
Estimated total future (5 years) training required.....	13,835
Estimated total future (10 years) training required.....	20,377
Estimated total training per year (10 years).....	2,038

(c) Supervisory Staff

Estimated present training required.....	760
Estimated future (5 years) training required.....	329
Estimated total future (5 years) training required.....	1,089
Estimated total future (10 years) training required.....	1,418
Estimated total training per year (10 years).....	141

(d) Management Staff

Estimated present training required.....	621
Estimated future (5 years) training required.....	141
Estimated total future (5 years) training required.....	762
Estimated total future (10 years) training required.....	903
Estimated total training per year (10 years).....	90

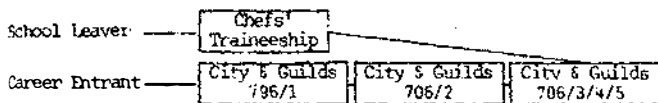
Source: Report of the Personnel and Training Committee, Tourism
Advisory Council, August 1978, Wellington, New Zealand.

Appendix G

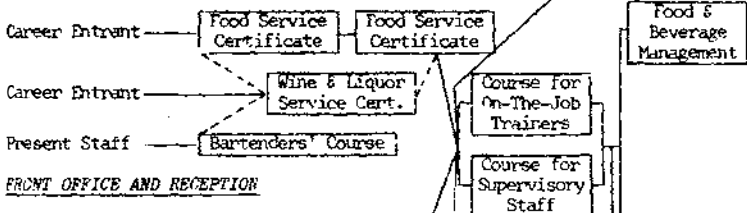
New Zealand Hotel and Catering

Industry Career Paths Training, 1978

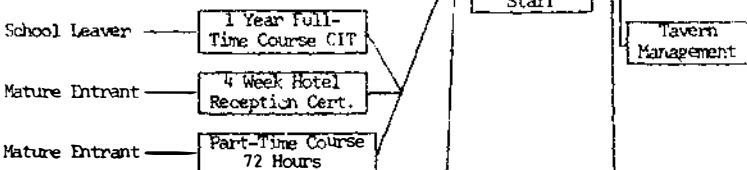
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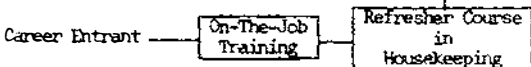
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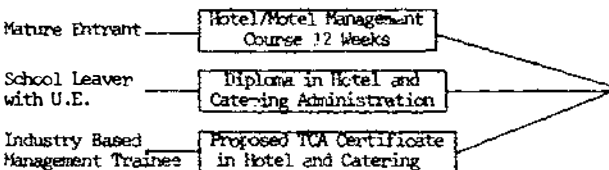
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HOUSEKEEPING



MANAGEMENT

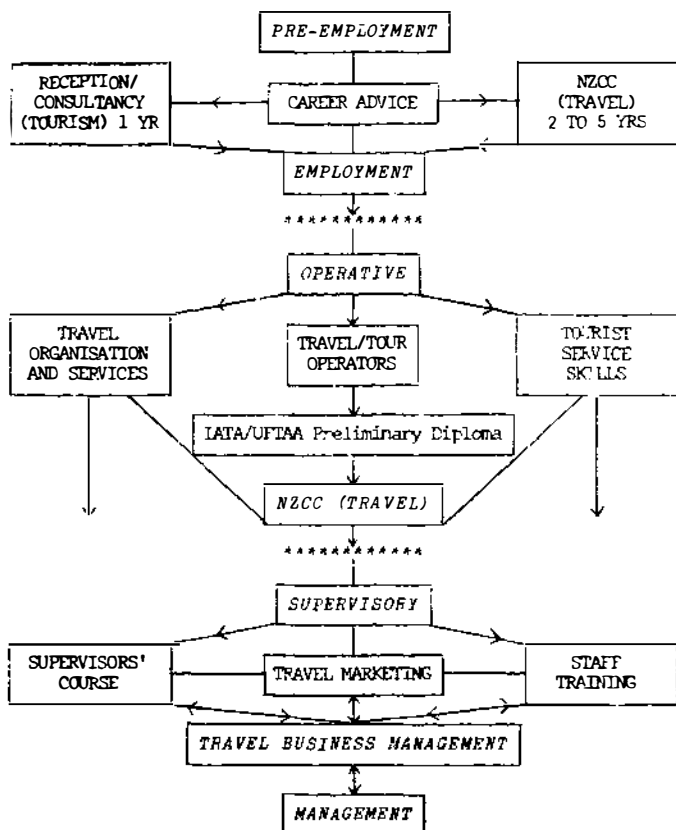


Source: Report of the Personnel and Training Committee, Tourism Advisory Council, August 1978, Wellington, New Zealand.

Appendix H

New Zealand Travel Industry Training

Council's Career Structure for the Travel Industry, 1978



Source: Report of the Personnel and Training Committee, Tourism Advisory Council, August 1978, Wellington, New Zealand.

Appendix 1

Visitors and Arrivals in New Zealand by Purpose - Year Ended 31 March 1981

Year Ended 31 March	Holiday/ Vacation	Stay with Friends/Relatives	Performing Arts, Sport	Business	Working Holiday	Education	Stopover	Other	Total Visitors
1956-57		19,368	897	3,712	-	227	852	2,941	27,979
1957-58		20,723	850	4,025	-	220	1,004	2,950	29,772
1958-59		21,927	764	3,655	856	233	919	2,719	31,173
1959-60		24,794	943	4,241	1,431	247	1,025	2,445	36,537
1960-61		27,299	1,091	4,963	2,480	252	853	3,986	40,924
1961-62		35,169	838	5,397	3,695	338	849	5,402	51,688
1962-63		39,499	1,229	6,270	3,562	294	1,009	7,022	58,886
1963-64		47,978	1,430	7,907	3,573	456	750	7,610	65,704
1964-65		57,498	1,083	8,213	5,995	348	780	8,118	82,035
1965-66		65,039	1,072	9,971	11,912	829	1,416	7,786	98,016
1966-67		74,275	1,201	10,006	18,242	1,828	3,285	3,974	112,871
1967-68		89,953	2,159	12,853	7,560	2,254	3,775	4,629	123,148
1968-69		109,341	2,285	13,736	5,495	2,031	3,608	4,406	131,902
1969-70		118,706	1,819	17,389	7,724	2,637	2,834	3,882	154,991
1970-71	111,258	30,243	2,582	25,914	10,121	1,431	8,567	748	190,869
1971-72	141,690	34,872	3,050	24,208	13,590	1,306	7,545	1,219	227,580
1972-73	157,046	42,649	2,518	26,783	15,820	1,247	7,072	1,511	254,644
1973-74	187,822	57,013	5,819	33,000	20,485	1,527	10,590	1,988	318,244
1974-75	217,965	67,367	4,307	34,446	21,313	1,948	9,403	4,445	361,194
1975-76	243,248	69,576	6,344	37,986	10,950	2,822	7,132	6,528	384,586
1976-77	236,490	69,888	5,136	39,838	8,468	2,042	6,788	11,572	380,222
1977-78	234,592	74,840	6,136	44,056	9,016	2,232	8,376	11,692	390,490
1978-79	247,483	76,701	7,008	44,882	13,931	2,928	16,283	9,528	418,744
1979-80	243,229	96,239	n.a.	46,742	15,420	2,860	14,264	26,444	445,195
1980-81	246,520	102,440	n.a.	50,714	15,578	2,769	17,448	27,987	463,456

Source: New Zealand Visitor Statistics, Volume, 1980-1981, New Zealand Tourist and Publicity Department, Wellington, New Zealand.

Appendix C

Age Structure of Visitors on Holiday or Vacation - Years Ended 31 March

Age Group	1980			Age Group	1981		
	Male	Female	Total		Male	Female	Total
	<u>Numbers</u>				<u>Numbers</u>		
Under 10 years	6,120	5,676	11,796	Under 10 years	5,796	5,009	10,805
10 - 14	4,584	4,202	8,788	10 - 14	4,457	3,914	8,371
15 - 24	18,252	22,284	40,536	15 - 24	18,292	22,446	40,738
25 - 34	22,852	19,680	42,532	25 - 34	25,652	21,641	47,293
35 - 44	15,533	14,238	30,201	35 - 44	15,981	14,745	30,726
45 - 54	16,480	18,776	35,256	45 - 54	16,440	18,233	34,673
55 - 64	18,096	22,840	40,936	55 - 64	18,881	22,093	40,974
65 years & over	15,052	18,132	33,184	65 years & over	15,256	17,684	32,940
TOTAL	117,368	126,860	244,228	TOTAL	120,755	125,765	246,520
	<u>Percentage Distribution</u>				<u>Percentage Distribution</u>		
	<u>By Age Group</u>				<u>By Age Group</u>		
Under 10 years	5.2	4.5	4.9	Under 10 years	4.8	4.0	4.4
10 - 14	3.9	3.3	3.6	10 - 14	3.7	3.1	3.4
15 - 24	15.6	17.7	16.7	15 - 24	15.1	17.8	16.5
25 - 34	19.5	15.6	17.5	25 - 34	21.2	17.2	19.2
35 - 44	13.6	11.3	12.4	35 - 44	13.2	11.7	12.5
45 - 54	14.0	14.9	14.5	45 - 54	13.6	14.5	14.1
55 - 64	15.4	18.1	16.8	55 - 64	15.6	17.6	16.6
65 years & over	12.8	14.4	13.6	65 years & over	12.6	14.1	13.4
TOTAL	100.0	100.0	100.0	TOTAL	100.0	100.0	100.0

Source: New Zealand Visitors' Statistics, Volume, 1980-1981, New Zealand Tourist and Publicity Department, Wellington, New Zealand.

Appendix K

New Zealand Reserve Bank Travel Receipts by Months - Years Ended 31 March

(Excluding Fares) (\$NZ000)

Year	April	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
1959-60	614	345	309	333	310	398	443	695	718	837	728	796	6,528
1960-61	540	419	323	323	463	487	512	827	921	960	904	840	7,519
1961-62	499	511	392	421	574	482	748	830	715	1,221	989	906	8,288
1962-63	651	587	399	452	533	461	694	935	853	991	1,047	1,067	8,671
1963-64	880	700	475	580	577	764	961	1,066	1,222	1,520	1,378	1,103	11,225
1964-65	1,030	823	635	535	538	760	915	1,115	1,358	1,678	1,444	1,709	12,538
1965-66	1,030	774	626	542	762	854	1,012	1,122	1,784	1,728	1,602	1,614	13,448
1966-67	1,170	1,058	754	652	804	1,158	1,166	1,398	1,422	1,850	1,636	1,444	14,510
1967-68	1,150	932	885	714	905	950	1,253	1,658	1,685	2,517	2,403	2,140	17,401
1968-69	1,820	1,499	947	916	1,049	1,205	1,475	1,523	2,385	2,312	2,401	2,565	20,096
1969-70	2,154	1,663	1,236	1,263	1,328	1,767	1,958	2,133	3,033	3,586	2,833	3,069	26,023
1970-71	2,449	1,857	1,827	1,782	1,668	2,053	2,514	2,869	3,446	3,982	4,242	4,854	33,543
1971-72	3,205	2,896	2,418	2,413	2,402	3,091	3,648	3,619	5,346	5,745	5,237	5,075	45,096
1972-73	4,404	3,826	2,809	2,728	3,199	3,468	4,153	4,643	5,931	7,554	7,350	7,335	57,399
1973-74	7,770	5,425	5,513	3,626	4,277	5,086	6,085	6,130	6,350	11,346	7,723	9,148	78,479
1974-75	7,161	6,763	7,560	5,007	5,949	5,887	7,779	9,369	10,785	12,838	15,523	12,362	106,983
1975-76	10,005	7,959	6,547	5,807	8,692	9,048	14,420	11,481	15,673	17,002	19,054	17,402	143,090
1976-77	11,618	10,418	8,974	7,498	8,988	12,013	11,378*	14,931	17,730	19,818	19,149	19,185	160,790
1977-78	10,993	12,781	8,632	9,005	11,284	11,204	13,248	13,404	14,639	19,553	13,312	16,542	160,653
1978-79	12,012	10,748	7,381	8,594	10,317	11,698	13,443	14,179	18,071	22,631	17,893	18,910	165,877
1979-80	15,537	12,759	10,155	15,127	19,550	17,032	18,114	21,090	24,766	24,986	23,246	21,487	197,222
1980-81	21,195	-	-	-	-	-	-	-	-	28,537	26,363	34,062	244,150

* October 1976 figures not comparable with October 1975 as October 1975 has major inconsistencies.

Source: New Zealand Visitors' Statistics, Volume, 1980-1981, Tourist and Publicity Department, Wellington, New Zealand.

Note: Individual months, when added, do not equal the total due to rounding errors as a result of the method of collation.

Appendix L

International Scheduled Air Transport (Excluding Transitting Traffic)

Trans Tasman: Auckland-Sydney-Auckland Total Traffic, 1975-1980

	DECEMBER YEARS					
	1975	1976	1977	1978	1979	1980
Flights	2,436	2,320	2,916	2,242	2,135	2,244
Revenue Passengers	292,899	296,457	299,654	321,154	392,319	425,999
Non-Revenue Passengers	25,448	24,500	26,953	27,064	25,987	28,772
Kilometres Flown (000)	5,257	5,618	5,171	4,825	4,655	4,842
Passenger Kilometres (000)	632,076	684,576	676,036	693,632	849,901	919,306
Available Seat Kilometres (000)	1,021,068	1,176,229	1,275,365	1,359,049	1,423,644	1,448,361
Revenue Freight (tonnes)	9,641	11,542	12,283	14,896	17,768	18,090
Excess Baggage (tonnes)	53	42	42	78	71	111
Mail (tonnes)	850	917	912	1,051	1,137	1,066
Non-Revenue Freight (tonnes)	618	560	527	577	572	634
Thousand Tonne Km Performed:						
Passenger	60,212	64,574	64,890	66,548	79,290	88,304
Revenue Freight	20,805	26,674	26,921	30,733	38,344	39,037
Excess Baggage	114	99	97	122	154	242
Mail	1,834	3,012	2,047	2,269	2,431	2,301
Total Revenue	82,964	94,449	93,954	89,800	120,219	129,864
Available Capacity	151,066	161,851	203,336	162,916	194,588	209,984

Source: New Zealand Civil Aviation Statistics, Volumes, 1975-1979, 1976-1980, Ministry of Transport, Wellington.

Appendix MInternational Scheduled Air TransportPacific Short Haul: New Zealand-Nadi-New ZealandTotal Traffic, 1975-1980

	DECEMBER					
	1975	1976	1977	1978	1979	1980
Flights	1,506	1,272	1,051	804	1,041	1,321
Revenue	127,588	122,302	121,469	113,153	113,215	114,725
Passengers						
Non-Revenue	15,212	15,702	14,609	15,039	11,522	13,320
Passengers						
Kilometres (000)	3,480	2,922	2,388	1,656	2,370	2,844
Flown						
Passenger	284,996	270,898	239,894	240,463	244,091	245,670
Kilometres (000)						
Available	583,521	626,729	517,551	409,010	397,371	443,572
Seat (000)						
Kilometres						
Revenue (tonnes)	3,173	4,744	4,245	3,883	3,087	3,770
Freight						
Excess	45	29	22	18	19	21
Baggage (tonnes)						
Mail (tonnes)	188	209	238	205	145	174
Non-Revenue (tonnes)	211	247	244	222	240	246
Freight						
Thousand Tonne						
Km Performed:						
Passenger	27,237	26,070	25,700	23,211	22,937	23,405
Revenue	7,065	10,540	9,335	8,373	7,174	8,127
Freight	101	65	50	30	40	45
Excess Baggage	410	491	515	427	313	375
Mail	34,813	37,166	35,600	32,041	30,464	31,952
Total Revenue	79,155	77,931	67,081	54,412	49,779	57,966
Available						
Capacity						

Source: New Zealand Civil Aviation Statistics, Volumes, 1975-1979, 1976-1980, Ministry of Transport, Wellington.

Appendix N

Total Paid Employment in Fiji as at End of Each Quarter: 1977-1980

ISIC Group	1977				1978				1979				1980	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep*	Dec*	Mar*	Jun*	Sep*	Dec*	Mar*	
1 Agriculture, Forestry & Fishing	2,619	2,441	2,619	2,469	2,258	2,787	2,634	2,254	2,488	2,303	2,592	2,576	2,629	
2 Mining & Quarrying	1,693	1,841	1,722	1,575	721	809	616	826	684	724	727	830	902	
3 Manufacturing	11,352	11,253	13,062	13,384	12,586	13,484	13,494	13,156	13,579	13,948	14,102	14,236	14,087	
4 Electricity, Gas & Water	1,917	1,879	2,046	1,925	1,713	1,834	2,086	2,102	2,334	2,336	2,298	2,231	2,148	
5 Construction	7,962	8,129	8,135	8,124	8,324	8,895	8,327	9,701	9,835	9,803	9,830	9,316	9,164	
6a Wholesale/Retail Trades & Restaurants	9,141	8,787	8,233	9,315	9,567	9,433	8,858	9,673	9,558	9,605	9,580	9,709	10,016	
6b Hotels	3,295	3,330	3,782	3,565	3,485	3,345	3,564	3,565	3,516	3,494	3,602	3,658	4,021	
7 Transport, Storage & Communication	6,814	7,196	7,405	7,515	8,089	7,303	7,914	7,994	8,047	8,111	7,924	7,965	7,939	
8 Finance, Insurance, Real Estate & Business Services	3,701	4,169	3,930	3,884	4,138	4,186	4,269	4,363	4,363	4,382	4,340	4,598	4,363	
9 Community, Social & Personal Services	23,119	23,358	22,574	22,285	23,152	24,508	23,337	23,598	23,740	23,833	24,067	24,136	23,991	
TOTAL	71,613	72,383	73,508	74,001	74,033	76,584	75,009	77,232	78,144	78,539	79,062	79,345	79,260	

Source: Bureau of Statistics Quarterly Surveys of Employment (Except for the June figures, which are based on the Annual Surveys of Employment).

Note: In December 1978 the ISIC Groups for some central government departments were reclassified.
* Revised.

Appendix C

Fiji Visitor Arrivals: Numbers by Country of Residence

1975-1979

Year	Australia	New Zealand	USA	Canada	United Kingdom	Japan	Continental Europe	Pacific Islands	Others	Total
1975	58,482	42,242	25,270	10,685	4,711	..	5,533	9,266	5,518	161,707
1976	66,591	37,601	28,193	11,262	4,545	..	4,788	9,311	6,373	168,665
1977	63,748	41,338	28,171	11,555	4,311	..	5,763	8,703	9,430	173,019
1978	74,922	40,825	29,449	9,803	4,177	5,709	6,052	8,957	4,169	184,063
1979	73,191	44,434	27,336	10,085	4,768	5,665	7,624	11,851	3,786	188,740

Source: Current Economic Statistics, Volume, January 1981, Bureau of Statistics, Suva, Fiji, February 1981.

Appendix P

Fiji Monthly Visitor Arrivals: Mode of Travel

1973-1979

Period	SEA ARRIVALS			AIR ARRIVALS			TOTAL VISITORS
	Through Passengers	Visitors	Cruise Passengers	Through Passengers Changing Plane	Through Passengers of same Aircraft	Visitors	
1973	40,368	5,348	59,979	4,854	206,640	180,957	186,323
1974	30,875	2,715	73,400	5,550	216,477	178,362	181,077
1975	35,244	1,995	71,812	6,087	216,638	159,703	161,707
1976	43,350	1,431	65,213	3,587	255,764	167,234	168,665
1977	30,352	983	57,101	1,012	182,402	172,036	173,019
1978	12,016	2,983	68,060	1,810	133,726	181,080	184,063
1979	5,940	4,103	63,061	3,601	125,848	134,637	188,740

Source: Current Economic Statistics, Volume, January 1981, Bureau of Statistics, Suva, Fiji,
February 1981.

Appendix Q

Fiji Hotel Statistics: Analysis by Hotel Size and by Turnover

1974-1979

Year	SALES OF MEALS & ACCOMMODATION			SALES OF LIQUOR			TOTAL TURNOVERS		
	Hotels Over 30 Beds	Other	Total	Hotels Over 30 Beds	Other	Total	Hotels Over 30 Beds	Other	Total
1974	17,442	548	17,990	4,517	1,049	5,566	23,113	1,642	24,755
1975	17,798	519	18,317	4,920	1,199	6,119	24,517	1,751	26,268
1976	20,945	563	21,508	5,742	1,424	7,166	28,653	2,029	30,582
1977	23,392	568	23,960	6,218	1,601	7,819	32,105	2,213	34,318
1978	27,775	728	28,503	6,845	1,486	8,330	38,178	2,306	40,484
1979	32,304	762	33,066	8,135	2,119	10,254	45,301	3,014	48,315

Source: Current Economic Statistics, Volume, January 1981, Bureau of Statistics, Suva, Fiji
February 1981.

Appendix R

Hotel Statistics Analysis by Occupancy and by Visitors

1974-1979

Year	CAPACITY				OCCUPANCY				NO VISITORS	
	No Rooms	Room Capacity	No Beds	Bed Capacity	Rooms Sold	Beds Sold	Room Occupancy	Bed Occupancy	Overseas	Local
1974	3,104	1,101,076	6,845	2,414,372	657,009	1,211,668	59.7	50.2	492,094	48,537
1975	3,480	1,205,340	7,926	2,690,320	608,903	1,140,435	50.5	42.4	493,670	48,712
1976	3,610	1,318,587	8,309	2,997,142	651,836	1,192,471	49.4	39.8	659,714	68,511
1977	3,562	1,318,285	8,161	3,018,812	703,760	1,318,619	53.4	43.7	762,535	80,444
1978	3,556	1,297,838	9,245	3,366,932	772,011	1,481,081	59.5	44.0	820,438	92,680
1979	3,643	1,329,719	10,316	3,766,499	776,938	1,566,456	58.6	41.6	717,981	106,250

Source: Current Economic Statistics, Volume, January 1981, Bureau of Statistics, Suva, Fiji, February 1981.

Appendix S
Fiji International Aircraft Traffic by Port

Year	NADI				NAUSORI				TOTAL			
	ARRIVAL		DEPARTURE		ARRIVAL		DEPARTURE		ARRIVAL		DEPARTURE	
	No	Passengers	No	Passengers	No	Passengers	No	Passengers	No	Passengers	No	Passengers
1970	3,395	121,814	3,395	124,501	305	5,629	305	5,565	3,700	127,443	3,700	130,066
1971	4,214	156,846	4,214	157,342	310	7,483	309	6,106	4,524	164,329	4,523	163,448
1972	4,340	173,777	4,338	176,127	375	9,093	377	8,733	4,715	182,870	4,715	184,860
1973	4,380	195,393	4,389	193,993	350	9,452	339	8,413	4,730	204,845	4,728	202,406
1974	3,825	189,029	3,797	195,867	300	8,563	324	8,421	4,125	197,592	4,121	204,288
1975	3,389	173,762	3,395	173,175	332	9,338	326	11,242	3,721	183,106	3,721	184,417
1976	2,958	178,758	2,961	179,317	364	12,673	361	13,611	3,322	191,431	3,322	192,928
1977	2,445	173,522	2,458	177,744	529	23,285	514	18,836	2,974	196,807	2,972	196,580
1978	2,586	187,467	2,539	187,621	585	20,620	596	21,869	3,171	208,087	3,135	209,490
1979	2,572	189,583	2,568	190,994	496	24,193	598	24,152	3,168	214,076	3,166	215,146

Source: Current Economic Statistics, Volume, January 1981, Bureau of Statistics, Suva, Fiji, February 1981.

Appendix TList of Officials Interviewed in Suva,
Fiji Between 19 November 1979 and 16 December 1979

- (a) The Assistant Secretary, Ministry of Civil Aviation, Transport and Tourism, Suva, Fiji.
- (b) The Director of the Fiji National Training Council, Suva, Fiji.
- (c) Deputy Assistant Commissioner of Income Tax, Suva, Fiji.
- (d) Executive Officer, Fiji Visitors' Bureau, Suva, Fiji.
- (e) Chief Accountant, Fiji National Provident Fund, Suva, Fiji.
- (f) The Secretary of the Native Land Trust Board, Suva, Fiji.
- (g) Assistant Commercial Manager, Air Pacific Limited, Suva, Fiji.
- (h) General Manager, Tourist Corporation of Fiji Limited, Suva, Fiji.
- (i) The Secretary of the Fiji Hotel Association, Suva, Fiji.

Appendix U
Tourist Regions Visited in Fiji
Between 19 November 1979 and 16 December 1979

Suva
Nausori
Navua
Deuba
Korolevu
Sigatoka
Lautoka
Ba
Tavua
Rakiraki

Note: Major tourist hotels in these towns were also visited. Informal general discussions on tourism development in Fiji were held with hotel workers. Most Fijian hotel workers to whom I spoke were supportive of the growth and development of the tourist industry.

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