

TOURISM INVESTMENT

A THRIVING TOURIST INDUSTRY STILL IN ITS INFANCY

MOORINGS HOTEL, PORT VILA

Vanuatu's tourism industry is growing rapidly and its outlook is bright.

The current state of the industry should be seen in context. Until six years ago very little effort had been put into developing this sector of the local economy, which has the greatest potential to generate foreign exchange.

To Vanuatu's credit, since then it has made up for lost time. Visitor numbers have risen from around 50,000 in 2003 to around 75,000 in 2007 and with the industry still in its infancy, there is no reason why such growth cannot be maintained for some time to come.

NEW VISITORS, NEW LOCATIONS

Investors are certainly banking on further growth. As well as refurbishments and extensions at existing resorts on Efate Island and around the national capital Port Vila, several new small to mid-size holiday apartment complexes and resorts are being built—many by Australasian entrepreneurs.

To date, the tourist industry has been mostly confined to Port Vila, on account of inadequate supporting infrastructure in other parts of the country, but that is starting to change. The vast majority of tourists come from Australia (around 80%), with New Zealand, New Caledonia (due to its proximity and historical ties) and the US making up most of the balance. Vanuatu attracts families, honeymooners, wedding parties, cruise ships

and those seeking adventure holidays (see box for some of the attractions).

AIR TRAVEL THE KEY

Air access is a major challenge for a destination such as Vanuatu due to its small size. It is unsurprising therefore that it was the advent of Virgin Blue flights to Vanuatu in 2004 that was considered a major factor in kick-starting the industry. The airline brought extra seats, some of them at a cheaper price. Virgin Blue still flies to Vanuatu from Australia twice a week and announced at the end of 2007 that it was putting on an extra service for the busy summer holiday period. Looking ahead to 2008, it is the activity of national carrier Air Vanuatu that is creating the most interest. Air Vanuatu has transformed itself from the brink of bankruptcy to a profitable entity over the past four years. CEO Terry Kerr comments:

'We had a very successful year in 2007, which saw the introduction of our sixth weekly service on the Sydney route and direct services from Brisbane to Santo.'

On the home front, Air Vanuatu acquired domestic carrier Vanair in 2005. The streamlining of domestic services and the introduction of online booking led to a growth of 30% in domestic traffic in 2007.

A more efficient domestic network and new direct flights to Santo, Vanuatu's largest island (see feature on page 9), are enabling more visitors to discover areas of the country

other than Port Vila and the main island of Efate.

Air Vanuatu is now in a position to capitalise upon Vanuatu's expanding tourist industry by also expanding its capacity.

'From the 29th of January 2008, we will be replacing our Boeing 737-300 with a Boeing 737-800. This will add over 50,000 seats per annum to our international capacity', says Terry Kerr.

The airline also recently signed a codeshare agreement with Air New Zealand to increase seats to that important market.

TAKING A CRUISE

Another growth area is cruise ships, which are booming in the South Pacific. While cruise visitors don't stay long or require accommodation, the Vanuatu Tourism Office estimates that each ship injects around AUD\$250,000 into the local economy. Once given a taste, visitors may also be tempted to return for a longer stay, or even buy an investment property. ■



AIR VANUATU AND VANUATU POST HAVE DEVISED A SMART WAY TO MARKET VANUATU INTERNATIONALLY

VANUATU THE BEST KEPT SECRET OF THE SOUTH PACIFIC



- An active volcano on the island of Tanna.
- The world's original bungee jumping site, on Pentecost Island.
- Outstanding natural beauty, with white sandy beaches and dense rainforest.
- World-class diving on the island of Santo.
- Friendly and genuine people and authentic Melanesian culture.
- A cosmopolitan feel, especially in Port Vila, due to the French and British connection combined with a strong, more recent Australian influence.

TANNA'S MT YASUR VOLCANO

GROUP TRAVEL A UNIQUE CONFERENCE OR INCENTIVE EXPERIENCE



Vanuatu is an ideal destination for groups from nearby Australia and New Zealand, especially incentive groups. It offers a range of activities and attractions with the 'wow factor' that group organisers seek.

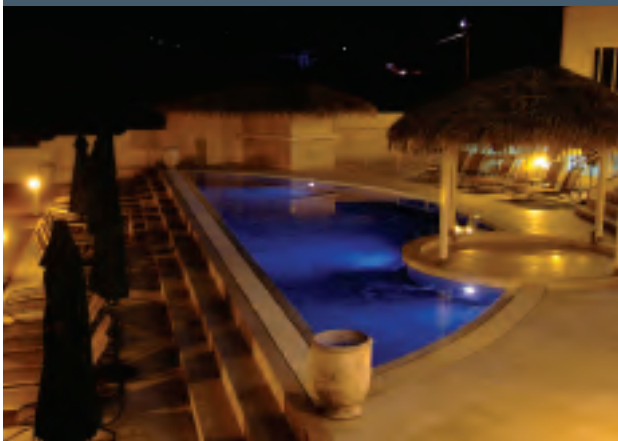
Recent developments will increase Vanuatu's appeal to groups:

- Le Lagon, which has led the way in this market, and Le Meridien have been undergoing extensive renovations.
- Iririki Island opened its Snorkeler's Cove wing of luxury apartment-style accommodation in 2006 with the group market firmly in mind.
- The new Sebel Vanuatu has three meeting/conference rooms.
- Improved air access to the outer islands, such as Tanna and Santo, will allow organisers to include them on itineraries.

Although most groups that currently visit Vanuatu are no larger than 60 people, it recently hosted a regional finance conference attended by 200 delegates.

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CASE STUDY THE SEBEL VANUATU HOTEL



Major hotel/property group enters the Pacific – first stop Vanuatu

The highest profile new foreign investment in Vanuatu in 2007 was surely the opening of The Sebel Vanuatu Hotel. This luxury 74-key property occupies prime position on Port Vila's waterfront.

It is a landmark in both the literal and figurative sense. As the country's first high-rise hotel catering to business, leisure and conference visitors, it provides a focal point for the Port Vila skyline and adds a new element to the country's tourist industry.

It is also a reflection on Vanuatu's favourable investment climate that major Australian corporation Mirvac Hotels and Resorts, which manages the hotel, has elected to make its first investment outside of Australia/New Zealand in the country.

According to CEO Andrew Turner, the company is 'very keen on the Pacific' in general, but it is Vanuatu that stands out: 'Vanuatu is very stable, that's the most important thing from an economic point of view ... so a lot of companies are seeing Vanuatu as a place to put their resources.'

The owner of the property, another Australian firm, Zagames, also owns the Iririki Island Resort, which is a short ferry ride from the Sebel. That connection means that guests of The Sebel will also be able to use Iririki's extensive resort facilities.

A promotional advertisement for Vanuatu Islands. The background is a warm, golden-yellow color. On the right, there is a photograph of a young child with a large, feathered headdress. The text is in a mix of red and white. The word 'Vanuatu' is written in a large, stylized red font, with 'ISLANDS' in a smaller, white, sans-serif font below it. Below this, the text reads: 'For more information contact The Vanuatu Tourism Office Tel: 678 22 685/515/813 Email: tourism@vanuatu.com.vu'. Further down, it says: 'Australia: Tel: 612 9484 5514 Email: vtoaustralia@tourism.vu New Zealand: Tel: 649 277 6060 Email: vtonewzealand@tourism.vu'. At the bottom, the website 'www.vanuatutourism.com' is listed.