

THE CASE FOR CHANGE FOR TOURISM IN PAPUA NEW GUINEA

PAPUA NEW GUINEA DEMAND ASSESSMENT HIGHLIGHTS:

TRENDS IN TOURISM IN PNG

The number of arrivals has been increasing, and holiday visitors are the biggest spenders

- PNG has been growing slowly as a tourist destination with an average growth rate of 5 percent per year from 2011 to 2016.
- Last year, PNG received over 86,000 air visitors, who spent \$205 million dollars.
- By far, the biggest number of visitors were business travelers, who represented 54 percent of all visitors. Twenty-five percent were tourists while 11 percent of the arrivals were individuals visiting family and friends.

Holiday tourists spend the most and spread the economic benefits across PNG

- Holiday arrivals were the biggest spenders among all visitors, averaging \$2,859 spent per trip.
- Sixty-two percent of the travelers visited the capital of Port Moresby.
- Sixty percent of the visitors traveled to the provinces in 2017, signaling that tourism is a pathway to grow our regional economies and create an inclusive growth that spreads the economic benefits far and wide.

However, Papua New Guinea is suffering from a “holiday market gap”

- Currently, only about a quarter of all visitors (21,281) to Papua New Guinea are holiday travelers.
- That’s well below regional competitors, such as Fiji and Vanuatu, where tourists make up 75 percent of the arrivals.
- At the global level, 53 percent of all international trips in 2017 were for the purpose of holiday.
- Therefore, Papua New Guinea is falling short. The country has a “holiday market gap” of 28 percent.

Papua New Guinea’s tourist potential is suffering from a lack of product diversity and an over-reliance on the Australian market

- Two main products dominate travel in PNG: The Kokoda Track is an iconic tourist destination with strong market penetration in Australia. The Kokoda Track was more popular than ever with 25 percent of all holiday travelers visiting the trail in 2017 for the 75th year anniversary of the Kokoda Campaign. Cultural tourism also drew an estimated 10,000 holiday tourists, almost one third of the total holiday visitors, to PNG in 2016.
- PNG relies largely on one market to draw tourists; Australians make up 53 percent of all holiday arrivals.

- However, this is a small pool to draw from since Australia represents only about one percent of the global holiday market.
- The next highest percentage of tourists came from South-East Asia at ten percent; followed by nine percent from North East Asia; eight percent from Europe; six percent from North America; five percent from New Zealand and the same percentage from other Pacific nations.

TO MOVE THE NEEDLE, PNG NEEDS TO CONSIDER THE FOLLOWING:

1. A more strategic focus on niche markets

- Research conducted by IFC and the PNG Tourism Promotion Authority has concluded that PNG needs to focus on niche markets to draw the interest of high-value tourists to the country's natural, historical and cultural tourism assets.
- With the demand for niche tourism steadily growing abroad, businesses need to be prepared to take full advantage of these new and emerging opportunities. "Niche" does not mean that these markets are small in size. For example, soft adventure travelers took 357 million trips globally and spent \$470 billion dollars in 2016.
- A focus on niche markets can help make tourist destinations less vulnerable to economic shocks as compared to a one country-based market.
- Niche market tourists attract high-value tourists, who spend more. Therefore, niche market tourism offers an opportunity for PNG to leverage its natural, historical, and cultural tourism assets to encourage higher-spending holiday arrivals.
- Cultural tourism, soft adventure, birdwatching, diving and historical tourism were identified by the research as the greatest potential areas for tourism growth in Papua New Guinea.
- **Developing niche market tourism has the potential to attract an extra 40,000 holiday arrivals to Papua New Guinea annually by 2027, which could potentially contribute an additional \$117 million annually by 2027.** With the right investments in infrastructure, capacity building, product development, and marketing and by tackling regulatory issues, PNG could grow its annual niche market tourism revenue and spread the benefit of tourism throughout the country.

In focus: Cultural Tourism's Potential in Papua New Guinea

- About 70% of all holiday visitors participated in cultural activities during their trip to PNG.
- However, only about half of those visitors went to Papua New Guinea primarily for a cultural experience. Many were just "casual" observers of the rich culture, rather than specifically travelling to Papua New Guinea for cultural activities.
- In 2016, PNG was visited by about 10,000 genuine niche market cultural tourists, who spent about \$35 million dollars. However, Papua New Guinea could do even more to target cultural tourists. The global cultural tourism market encompasses 277 million trips worth \$453 billion dollars in 2016. Also, year-to-year growth in cultural tourism is forecast to increase by 10 percent over the next decade.

2. *More investment and action are needed to realize the economic contribution of tourism*

- If investment remains the same as historical trends, niche markets will only reach about 45,200 arrivals per year by 2027 with \$168.5 million in annual revenue. Without additional investment, the growth potential of the destination will not be completely harnessed, leading to sub-optimal growth in the number of visitors and tourism expenditures.
- In a high growth scenario, PNG will need to invest \$78 million to address critical constraints and stimulate growth. These investments must address broad issues and make improvements that will position PNG as a tourism hotspot. If done, PNG's niche markets could reach 86,575 arrivals per year by 2027 bringing in \$286 million in annual revenue.

Papua New Guinea Partnership

IFC's work in Papua New Guinea is guided by the Papua New Guinea Partnership. Partnership. Australia, New Zealand and IFC are working together through the Partnership to stimulate private sector investment and reduce poverty in the Pacific.

