Achievements and Challenges in Palau’s Tourism Development

Searching for Pristine Paradise.Palau

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Economic Advisory Group,
Republic of Palau and Palau Chamber of Commerce
The Achievement –
Doubling of Tourist Arrivals since early 2000’s
Resulting in Additional Economic Value and Governmental Revenues

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<tbody>
<tr>
<td>Total Private sector</td>
<td>60.0</td>
<td>36.5</td>
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<td>Hotels, restaurants</td>
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<tr>
<td>Diving, water tours</td>
<td>13.4</td>
<td>10.2</td>
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<tr>
<td>Other private sector</td>
<td>16.7</td>
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<tr>
<td>Total Public Sector</td>
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<tr>
<td>GRT + hotel taxes</td>
<td>7.2</td>
<td>5.0</td>
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<tr>
<td>Departure taxes</td>
<td>4.5</td>
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Tourism revenues, $ millions
Six months to March 2015, vs previous year
What Worked?

• Proximity to major Markets
• Natural Endowments – in particular sea life
• Government Emphasis on Infrastructure
• External Guidelines/Support in Place
  – U.S. Law Enforcement
  – U.S. Banking
  – U.S. Laws
• Foreign Investment
  – Strong Banking Sector/ US Dollar Economy
  – Continental Micronesia Air Service/ Hotel
  – Private Investment Partners/Palau Pacific Resort
• Lack of Government Regulation
  – Visa on Arrival
  – Old tax regime
  – No Building Codes – Strong Environmental Laws
The Problem

Coping with Rapid Growth
(lack of legal and physical structure)
and
Limited Capacity to Grow
(limited space and few people)
Revenue increasing

Value based revenue decreasing rate – transfer pricing?
Revenue Per Person Declining

Expenditures by Major Categories per Visitor Night

- Accommodation per visitor night
- Other Expenditures per night

Downward trends
Our Challenges – 
Sustainable Responsible Growth for all Residents

• **Limited Infrastructure**
  – Water and Sewer Under Capacity
  – Danger of damaging health of sites and reputation

• **Environmental Pressure**
  – Pressure on sea life and tourist sites
  – Degrades attraction and experience of site

• **Distribution of Benefits to the People**
  – Across income groups
  – Geographically

• **Absence of Appropriate Policies and Regime**
  – Fiscal, SOE, Tax (VAT), Tourism
What to do? The Three Point Plan

• Adopt *Pristine Paradise.Palau* Brand Strategy
  – Adopt formally, policy for High Value Tourism
  – Implemented by New Tourism Bureau and Industry

• Develop Aviation Policy
  – Clear Charter Flight Strategy
  – Diversified sourcing

• Develop Hotel Guidelines
  – Promote High Value Accomodations – like Homestay
  – Emphasize land use planning
THANK YOU

Parting Thought

Consultation and Partnerships are a Necessity

We recognize invaluable assistance of Asian Development Bank in addressing our Challenges