

Appendix 7 SUGGESTIONS FOR DEVELOPING TOURISM IN THE WAKATOBI ISLANDS

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1. Introduction

With the development of a runway on Wanci the opportunities for developing tourism in the Wakatobi will begin to open up to add to the research ecotourism run by Operation Wallacea each year and the up market dive tourism operated by Wakatobi Divers. The main obstacle to development of tourism in the Wakatobi has been the difficult access to the islands. At present volunteers travelling with Operation Wallacea take 3 days at least from leaving the UK or North America to arrive on Hoga Island. The normal tourist market will simply not travel this distance before starting their holiday and certainly not on some of the ferries needed to access the islands. The runway will shorten that journey by allowing direct flights from Makassar or Manado and thereby open up new tourist markets.. Opening up the runway though will not lead to mass tourism, which requires direct flights from the market to the destination and a range of facilities well beyond those available in the Wakatobi. Indeed replicating facilities such as those in Bali, Red Sea, Costa Brava and many other destinations would simply put the Wakatobi in competition with these other destinations and remove many of the current unique selling points but with longer flight times and a smaller range of activities available. Mass tourism though is not a market that should be attempted because of the low profit margins (eg the Red Sea offers 1 week diving, hotel and flights from the UK all inclusive for \$300 in the low season), the domination by large hotel chains that reduce the benefits to the wider communities and the impact on local culture that large numbers of heavy drinking visitors would have on the local communities.

Without the mass tourism market though there are still opportunities to grow the tourism industry to many thousands of visitors each year and bring financial benefits to a large proportion of the community. Section 2 of this report describes the unique selling points of the Wakatobi. Section 3 goes on to describe how the government can further remove obstacles to tour operators coming to the Wakatobi. Section 4 suggests target markets that could be developed over the next 3 years. Section 5 suggests target numbers of visitors to be achieved over the period to 2010, with a view to achieving a \$3.5 million per annum spend by international tourists in the Wakatobi each year within 3 years of the runway becoming operational. The whole document is prepared though on the assumption that development of the ecotourism market is developed around the home-stay concept with local people owning and operating those home-stays. Section 6 proposes a training course for local people to develop the skills needed for this expanded tourism business.

2. Unique selling points of the Wakatobi Islands

The islands are entirely within a National Park

Tourism studies have shown that visitor numbers to an area increase faster once the area is designated as a National Park. The Wakatobi are entirely within a National Park and this will be a big marketing advantage over other destinations that normally are outside National Parks.

Biological diversity

The most biologically diverse reefs in the World are in eastern Indonesia and the Wakatobi Islands lie in the heart of this triangle. The Caribbean is 10X less diverse than the Wakatobi yet it supports a huge tourism industry based on a far poorer reef experience. Moreover the islands lie in the Wallacea bio-region (Sulawesi, lesser Sundas, Ambon etc). The Wallacea region has the highest number of unique species of mammals, reptiles and birds of any other part of the World. This uniqueness is again an attraction to the area.

The unspoilt nature of the environment

Hoga Island is one of the best assets within the Wakatobi Islands because of its totally unspoilt nature - long white sand beaches and forest covering most of the island. Western visitors see this as a paradise and a total contrast to their urban existences. Indeed advertising agencies in the west use coral islands like Hoga as a symbol of what most tourists would like to visit. Everything possible must be done to ensure that Hoga is protected from unnecessary development. Hoga should remain car and ojek free - walking round the unspoilt white beaches in a peaceful environment is one of the key selling points on Hoga and if tarmac trails are established and motorbikes allowed on the island it will quickly degenerate and negatively impact on the wildlife. Even building additional footpaths will be detrimental. When Operation Wallacea built the footpath to connect the base to Bounty Bar Bay, one of the unfortunate side effects was that the path provided access to land in the interior of Hoga that was then quickly built on by local people to provide holiday accommodation. Even when Operation Wallacea went to them as they were building and said they could not fill these new houses, they carried on building anyway! Whilst a nature trail would be a good addition to Hoga the problem is that even if it were just a sand path it would raise expectations and initiate another building boom and despoil the environment.

3. Actions required by the government to remove obstacles to the growth of the tourism sector

The role of the government in developing economic benefits to local communities is to help remove obstacles to tourism development and to ensure that the follow on development that does occur maximises benefit to local communities. To build on the investment in the runway the Wakatobi government could do the following to remove obstacles to development:

Recompression chamber

Provision of recompression facilities based on Wanci would remove one of the major obstacles to dive based tourism. At dive destinations around the World, local governments have normally helped with establishing a diving medical centre to provide the safety cover that is required by most in the tourism industry before they will consider using a destination. At the moment the closest recompression facilities are in Makassar and this situation will be a barrier to entry for a number of tour operators running tours to the Wakatobi. Operation Wallacea will develop a short briefing document on the costings and practicalities of establishing a recompression chamber on Wanci. Once established, making a small charge payable by each tour operator for each dive their guests make, should cover the running costs of such a centre. There may be a need in the first few years though for the government to subsidise the costs as the tour industry builds up to the level where the charges levied can cover the full operating costs.

Transport and access facilities

Once the runway is established having a daily speed boat connection between the airport and each of the islands would help not just the tourists but also business development. In addition access to Hoga Island, which is likely to be one of the main focuses of tourism to the Wakatobi could be made easier. A jetty that reaches the edge of open water would enable visitors to access the island without wading across coral at low water.

Ensuring the Wakatobi Islands are zoned to include tourism zones

Zoning of parts of the Wakatobi to be used for research and tourism diving would help develop the market. Investors seeing unrestricted access by fishers to potential tourist locations will be less keen than if there is effective policing to allow sections of the reefs to develop to their full potential. The National Park/TNC/WWF proposals on zoning are already taking this point into consideration.

Security of tenure for investors

One of the main obstacles to Operation Wallacea growing its business in the Wakatobi has been the lack of security of tenure on the land on which the company operates. Investing companies need at least 15 years security of tenure or otherwise the investment both in the facilities and the marketing campaigns will not be worthwhile. Most of the land suitable for tourism development is in private hands and it will need to be a matter of making this point strongly to the landowners or of the government buying land for lease to tourism developers.

Ensuring Hoga does not become over-developed

Unrestricted growth of new-build local houses will damage the prospects of developing Hoga for the high value ecotourism market. The Camat in Kaledupa needs to have planning control over the island to ensure houses are not built too close together, devaluing the potential income for those on either side of it. The supply of houses currently massively exceeds demand creating a downward pressure on prices. No additional paths should be constructed until the demand from tourism fills the current numbers of houses on Hoga since construction of new paths encourages even more houses to be built that cannot be filled. The development of local restaurants on Hoga though would help cope with the growth in demand for such services from Operation Wallacea and other operators.

Reducing the administrative load on visitors

In Bali there are no special administrative requirements on visitors. If tourists want to travel around the island they just have to hire transport and go as they do in other SE Asian countries that are competitors for the tourism market. The arrangements with Kesba in Wanci for the Op Wall visitors have created a similar system for the Wakatobi and this should be extended to all visitors to the Wakatobi. Granting permission for tourists to travel freely around the islands is a major step forward for tourism. Non-Indonesian staff will be required during the start up phases to develop the tourism market but at the moment Immigration officials in Kendari are putting considerable difficulties and costs on these staff. For example one of the key scientists for Operation Wallacea had his passport confiscated by Immigration in April not because of any problems with his own passport but to put pressure on a third party! Such behaviour if repeated would be a massive discouragement to investors. There needs to be strong co-ordination between the Wakatobi government and Immigration in Kendari to ensure visa renewals are carried out efficiently and cost effectively.

Requiring all tourism operators to quantify annually their spend in the Wakatobi

At the moment the exact benefit to the Wakatobi economy of tourism is unknown. Operation Wallacea keeps records of all spend from the operation in SE Sulawesi each year and could provide these data annually. If all tour operators were required to do the same then the Tourism department could monitor the growth in value of tourism to the Wakatobi economy as a result of their investment and also identify means by which economic leakage can be minimised.

Supporting tour operators visits to the Wakatobi or Tourism department staff visits to Europe and the US

Part of removing obstacles to tourism growth is to attract additional tour operators who would promote their tours to specialist markets and work through local travel agents and tour operators to deliver those products. This requires contact to be made by senior Wakatobi government officials at international conferences and in particular at travel markets where tour operators are looking to develop new potential destinations. Relevant travel markets are held in Jakarta, Singapore, Frankfurt, Miami and London each year and the presence of a small team of English speaking officials at one or more of these events would help develop the right contacts for the market. Key tour operators and travel journalists will need to be invited to the Wakatobi to investigate the market possibilities. No tour operator will start sending guests until they have inspected the facilities available and this requires initial support from the government. Section 4 describes the key markets to target.

Skills training for local community

One of the main objectives of increasing tourism to the Wakatobi is to increase the benefits to the local community as much as possible. Part of this is not just increasing numbers of tourists but also increasing the amount of goods and services that can be supplied locally. There are parts of the World where there is substantial income from tourism but few benefits to the local community because they don't have the skills or goods to provide to the industry and most expenditure is made outside the tourist area. Section 6 describes training that could be provided to help prepare the local community to benefit from increased tourism.

4. Strategies to be used to promote tourism

Once the runway is working with regular flights to and from Makassar and possibly Manado then there are two main markets that could be targeted: SE Asian based dive tourism and specialist adventure tour operators in Europe and North America. Proper market research needs to be completed on these two markets so that promotion can be most effectively targeted. However, as a rough guide to the markets, how to access them and their potential size at a point 3 years after the runway has become fully operational the opinions of key marketing and operational staff within Operation Wallacea are described below.

Dive based tourism market in SE Asia and Australia

This market consists mainly of foreign consultants and contractors and their partners and families who are based in SE Asia for their work and who want to visit remote and beautiful parts of the region for relatively short visits. Diving is the main attraction but the opportunity to stay on a white sand beach and tranquil island in good quality home-stay accommodation would also be an attraction. These visits would generally be fairly short (7 - 10 days) and the market would be best targeted by producing information leaflets for distribution to expatriate clubs in the major cities in SE Asia and also inviting dive tour operators and journalists based in SE Asia to visit. This market should produce at least 3,000 man weeks per annum by year 3 of the airport operating and may be much higher once the destination becomes better known.

Adventure tour operators in Europe and North America

This is the larger of the two markets but will take longer to develop. It would need large specialist operators such as Explore and others to include the Wakatobi as one of their destinations. These would be best contacted by attending Travel Markets (London, Frankfurt, Miami etc) and organising site visits by their representatives. This market is very large and has a few leading players in countries such as the UK, Germany, Italy, Spain, France, US etc. The attraction of the Wakatobi would be that it is a new destination, remote but accessible with beautiful unspoilt coral islands and diverse reefs. Diving would be a major attraction but not all visitors with these groups would want to dive and many would want to explore the culture of the area as well. High quality home-stays would suit this market well. This market takes a long time to develop, which is why it is worth starting to make the contacts as soon as possible. By year 3 of the airport operating the target should be to have at least 4,000 man weeks of visitors.

Starting the market

In order to get this market started though there will need to be some facilities available already so that the first visitors will have accommodation and activities arranged for them. Operation Wallacea is willing to rent out its facilities outside the normal Operation Wallacea season (June to September) to local tour operators to organise visits by groups of tourists. A small team of local staff is running the Hoga base and the costs of utilising the base, equipment, boats, compressors etc will be negotiated with local tour operators on a cost recovery basis only so that tourism can begin to grow in the Wakatobi. It is essential though that use of the facilities outside the Op Wall season does not result in the facilities and equipment becoming degraded. Op Wall has made a considerable investment in equipment and facilities on Hoga and would wish the charges being made for use of the facilities to reflect the costs of depreciation. In addition Op Wall would require the base to be staffed by the existing team of local staff who are fully trained in all the safety and maintenance procedures.

One issue that needs to be addressed though is the free use of the base and facilities by large groups of local people on holidays or official visits to the Wakatobi. Whilst Op Wall would always be hospitable, the costs of large numbers of people visiting do mount up and put a considerable strain on the funds available. It is proposed that a minimum charge for local visitors staying at the base is made to cover the costs of food and accommodation and staff time servicing these visits.

Very large numbers of visitors can wreak havoc though as was seen from the 10,000 people who visited in January 2007. The island was carpeted with plastic waste, a number of the buildings contained human excrement, buildings were destroyed to make bonfires and the generator supplied by the Tourism department to help develop tourism on Hoga was stripped of all its parts. Policing of all large public holidays and events needs to be developed so that the value of the infrastructure and services developed can be protected.

It is likely that the need to use the existing Hoga base would continue for the next 2 - 3 years as numbers of visitors increased, but that would give sufficient time for other tour operators to start developing additional facilities.

5. Economic targets for tourism revenue to the Wakatobi

Without detailed information on the current spend by the existing tourism operators in the Wakatobi it is difficult to determine the baseline spend at the start of the Tourism department's campaign to improve income levels from tourism. However, as a first estimate the spend in 2007 in the Wakatobi as a **direct** result of international tourism is likely to be in the order of \$660,000. This is based on 1200 man weeks by Operation Wallacea visitors with an average spend on wages, food, accommodation, supplies from within the Wakatobi (note some supplies still have to be sourced outside the Wakatobi) of approximately \$300 per week. No data are available on the spend by Wakatobi Divers within the Wakatobi Islands at present but assuming it is at the same level as for Operation Wallacea and that they have 80% occupancy then there will be an additional 1000 man weeks per annum of visitors.

Operation Wallacea is likely to grow at 20% per annum over the next 5-year period and although growth at Wakatobi Divers has been assumed to be zero since they are selling a high quality limited access package. The table below identifies the income from tourism activities assuming the runway starts operating in 2008 and is fully working by 2009. Note the value of tourism is a function both of numbers **and** average local spend per tourist. Extracting greater value from each visitor by ensuring that the services and supplies were provided locally could make the value grow considerably beyond these figures, which in any case are constructed on conservative assumptions of numbers of visitors.

Tourism activity	2007	2008	2009	2010	2011
Operation Wallacea	360,000	432,000	500,000	600,000	700,000
Wakatobi Divers	300,000	300,000	300,000	300,000	300,000
Dive based tourism from SE Asia		50,000	200,000	600,000	900,000
Adventure tour companies in Europe and US			250,000	700,000	1,200,000
Totals in \$	660,000	882,000	1,250,000	2,200,000	3,100,000

Within 5 years the Tourism department could establish tourism as contributing at least \$3.5 million to the Wakatobi economy. These figures however, are conservative and should be exceeded. In addition once a tourism destination takes off it tends to grow rapidly and within a further few years the tourism industry should be contributing in excess of \$10 million each year to the Wakatobi economy. With targeted spending and appropriate legislation as suggested above tourism could become a major contributor to the Wakatobi economy.

6. Skills development within the Wakatobi to benefit from increased tourism

There is currently a lack of the skills needed to service the tourism sector within the Wakatobi. Operation Wallacea and Wakatobi Divers rely heavily on non-Indonesian staff as Dive Masters, Dive Instructors and front of house staff. Wages to non-Wakatobi based staff therefore leak out of the Wakatobi economy.

The skills required are:

1. Good knowledge of English, which is the international language of tourism;
2. Good international cooking skills, since the high value ecotourism market requires a high level of cuisine with mixed Indonesian and international dishes;
3. Good people management skills. Tour guides have to be pro-active when dealing with groups of tourists and ensure they are getting the best possible experience;
4. Diving skills. It should be possible to insist within a few years that only Wakatobi Dive Masters are employed in the Wakatobi tourism industry, but at the moment insistence on such a policy would only succeed in closing the existing tour operations! In addition there should be a high percentage of local Dive Instructors.
5. Good knowledge of the fauna and flora of the Wakatobi since the main attractant to tourists of the Wakatobi is the wildlife.

It would be best to concentrate on training 20 local people on an 8-month course to become Wakatobi Tour Guides. Such a course could be run at the Hoga facilities on Hoga Island from March to October 2008. The course would consist of the following elements:

1. Intensive English training with 2-hour daily sessions. At the end of the 8-month course all the attendees should have the English skills to lead groups of tourists and converse fluently in English with the guests.
2. Weekly cooking lessons on how to prepare and serve international dishes.
3. Practical sessions in leading groups of tourists. Part of the course would be run during the Operation Wallacea tourist season and the course attendees would be required to lead groups of tourists on different activities.
4. Dive training. The objective would be to achieve Dive Master level for all course attendees. During the Operation Wallacea tourist season the dive trainees would gain experience of working with groups of divers.
5. Training in First Aid. This would be undertaken by the Operation Wallacea on-site doctor and would ensure the attendees were qualified First Aiders - a requirement for many western tour operators.
6. Training in the identification of corals and reef fish so that the course attendees could confidently identify the majority of genera or species seen on dives.
7. Training in the identification of the animals and birds on the Wakatobi and the best places at which to see these species.
8. Standards of service needed for running high quality home-stays

A report on each course attendee would be prepared at the end of the course for the Tourism department so that their relative strengths in different aspects of tour guiding could be assessed. The Operation Wallacea team on Hoga have the necessary skills to run this course and the costs would be designed to cover costs only so that all the funds, which would be needed for this course would be spent in the Wakatobi, giving a significant economic benefit to local communities from the Tourism department spend.