



Island Innovation Policy Brief:

Can Vanuatu Tourism Keep Recovering?

by¹ Geoff Hyde

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Introduction

Vanuatu has had a recent history of natural disasters and a global pandemic followed by recovery periods. Tourism recovery for Vanuatu has been an on-going theme since the country was struck by category 5 Cyclone Pam in March 2015 which saw an immediate decline of 12.7% in visitor arrivals. While the tourism sector began to recover in 2016 and 2017, there were more disruptions with the runway pavement deterioration at the main Bauerfield International Airport. An upgrade and remediation program was undertaken in 2018 but by then Air New Zealand had ceased direct services to Vanuatu and has not returned.

Air Access a Constant Challenge

Compounding the recovery phases, Air Vanuatu has continued to struggle with operational and financial problems and was placed into voluntary liquidation on May 9th, 2024. This lack of air connectivity is still affecting both international and domestic markets. Critically, other foreign airlines have moved quickly to fill the gaps left in the market. Virgin Australia which recommenced flights to Vanuatu in March 2023, has increased flights between Brisbane and Vanuatu from 2 to 5 weekly flights, adding an extra 1,304 seat capacity. It has also announced longer term plans to add another 7 weekly flights from Australian east coast cities.

Qantas has approval from September 2024 to compete directly with Virgin Airlines by offering up to 5 weekly services between Brisbane and Port Vila using both its Boeing 737 aircraft with 174 seats and an Embraer E190 aircraft with 97 seats under a wet-lease arrangement with Alliance Airlines. This will add 1,798 seats of capacity per week to this route. Approval has also been granted for Qantas subsidiary Jetstar, to operate four (4) services per week between Sydney and Port Vila using the Airbus A321 NEO configured with 232 seats, from December 2024.

From July 4th Solomon Airlines commenced a weekly return flight between Brisbane and Santo using their 144 seat Airbus 320. From October 4th they will increase to 3 return flights weekly from Honiara to Port Vila and Auckland, adding seat capacity for the New Zealand market. Fiji Airways, AirCalin, Air Nauru and Air Niugini all continue to service the destination. However, the demise of the flag carrier Air Vanuatu has provided a valuable lesson to focus more attention on commercial aviation interests in a very competitive and volatile global market.

Three Recovery Periods

Vanuatu closed its international borders in March 2020 due to the threat of the Covid-19 pandemic and this was quickly followed by the category 5 Cyclone Harold which struck in April 2020. The international borders were re-opened in July 2022. Then, during the next recovery phase, Vanuatu was hit by two category 4 tropical cyclones Judy and Kevin, both in the first week of March 2023. These caused widespread damage in the agriculture, housing and tourism sectors. Cyclone Lola also struck the Northern Provinces in October 2023, causing further disruption. Nevertheless, Vanuatu has a history of resilience in the tourism sector as we enter yet another recovery period.

Table 1 below shows visitor arrivals across the three modes of travel (air, cruise, yacht) from 2014 to 2023, split between the pre Covid period 2014 to 2019, the Covid period and initial Recovery Phase 2020 to 2022 and the Growth and Cyclone Recovery Period January to December 2023.

Table 1: Vanuatu Visitor Arrivals by Mode, 2014 to 2023

Year	Yacht Visitors	Cruiseship Visitors	Air Visitors	Total Visitors
2014	939	220,205	108,808	329,952
2015	715	197,471	89,952	288,138
2016	733	256,482	95,117	352,332
2017	783	223,551	109,170	333,504
2018	586	234,567	115,634	350,787
2019	918	135,357	120,628	256,903
Sub-totals =	4,674	1,267,633	639,309	1,911,616
2020	205	60,401	21,965	82,571
2021	32	0	0	32
2022	166	26,772	25,377	52,315
Sub-totals =	403	87,173	47,342	134,918
2023	1,030	263,578	76,999	341,301

(Source: Vanuatu Bureau of Statistics). March 2020 to July 2022 = Covid closure of borders)

Table 2 below extrapolates the Table 1 figures and breaks them down into three distinct periods of limited growth and repeated recovery across all visitor categories. These have included:

- **2014 to 2019:** Cyclone Pam saw an immediate decline in visitor numbers followed by growth of 26.8% in air visitor arrivals during the Recovery period 2016 to 2019. But a corresponding volatility in cruise visitors saw a decline in this market segment of 47.2%. Hence, an overall decline in total visitors of 22% for the period 2014 to 2019
- **2020 to 2022:** Covid Closure and Recovery period saw a total of 134,918 visitors which is an overall decline of 47.5% compared to the 2019 total arrivals figure of 256,903. When we compare average monthly visitors between the two overall periods there is a massive decline of 85.9%!
- **January to December 2023:** By using average monthly figures we can compare with the previous period of 2014 to 2019, which shows a slight increase of 7.1% for average monthly total visitors. But cyclones Judy and Kevin in March and Lola in October, 2023 also caused major disruptions so we are back into a recovery phase.

Table 2: Comparison between Visitor markets and % change over the 3 Recovery periods

Period	Cruise Visitors	Market share %	Air Visitors	Market share %	Yacht Visitors	Market share %	Total Visitors	% change
Cyclone Pam Recovery and slight growth 2014 to 2019 (6 years)	1,267,633	66.3	639,309	33.4	4,674	0.24	1,911,616	
Average per year	211,272		106,551		779		318,602	
Average per month	17,606		8,879		65		26,550	Overall Decline of 22% from 2014 to 2019
Covid Recovery 2020 - 2022 (3 years)	87,173	64.6	47,342	35.1	403	0.30	134,918	
Average per year	29,057		15,781		134		44,972	
Average per month	2,421		1,315		11		3,737	Decline of 47.5% from 2019
Growth and Cyclone Recovery 2023 (1 year)	263,578	77.22	76,999	22.56	1,030	0.30	341,301	
Average per month	21,965		6,416		86		28,442	Slight increase of 7.1% in average monthly arrivals compared to 2014 to 2019 period

(Source: Vanuatu Bureau of Statistics)

Air Visitors Down but Cruise Visitors Up

As indicated in Table 2, the 2023 air visitors are still well down by 27.73% on average per month compared to 2019 levels. Their market share is down to 22.5% of total visitors. Conversely, cruise visitors (day trippers) are 27.7% above 2019 levels and hold a dominant market share of 77.2% of all visitors. However, previous economic impact studies have indicated that cruise ship visitors only spend about 10% of what air visitors would normally spend. After 90 years of service P&O Cruises Australia will be closed in March 2025 and only two of their ships will be rebranded under parent company Carnival Cruise Lines to service the Vanuatu destination.

A Challenging Political Context

Apart from the natural disasters, the pandemic and the air access problems, the formation of four different coalition Governments over the most recent two-year period, including four separate Ministers of Tourism, has not been conducive to implementing Tourism Recovery Programs. This has also severely hampered the required tourism organizational structural changes that have been previously recommended as part of the Vanuatu Strategic Tourism Action Plan (VSTAP 2016 to 2019). These organizational changes would improve the co-ordination, co-operation and communication between the public and private sectors for a quicker recovery and a more sustainable growth of the Vanuatu tourism sector, for the overall benefit of all Ni-Vanuatu and foreign investors.

Tourism Governance Reforms Needed

The report A Pathway to Change (2017) recommended a Tourism Governance reform program and this should be revisited to provide a more unified voice and shared vision in the development of a more sustainable tourism sector. To be more competitive, effective and efficient, a stronger partnership is required between Government, industry operators and other stakeholders, in all Provinces. This is more urgent under the current and persistent threats of climate change, global economic uncertainty and increasing geopolitical risk factors in the Indo-Pacific, the Middle East and Eastern Europe. The main recommendations included:

- There be just one Vanuatu National Tourism Authority (VNTA), which is the recognised destination management, development and marketing organisation for Vanuatu, by combining the roles and functions of the Vanuatu Tourism Office (VTO) and the Department of Tourism.

- There be one peak Vanuatu Tourism Industry Association (VTIA), with all the existing tourism associations feeding into it, to act as the tourism industry's voice and to be an effective lobby and advocacy organization for private sector issues and concerns.
- There be a new National Tourism Coordinating Committee (NTCC), to replace the defunct Tourism Council of Vanuatu (TCV), the existing VTO Board and the somewhat forgotten National Cruise Tourism Management Committee (NCTMC). The NTCC to be responsible for managing the implementation of a revised and overarching national sustainable tourism strategy and have the responsibility for tourism sector crisis management.
- Develop a new consolidated National Tourism Act (an updated VTO Act, merged with the existing Tourism Council of Vanuatu Act) to implement all of these recommendations. Work has already been undertaken by DoT, VTO and the State Law Office SLO on this legislation review and new draft Act.
- There should be a special section under the legislation for a Sustainable Tourism Funding Scheme. These funds to be allocated to three Tourism Funds (a new Tourism Marketing Trust Fund, Route Development Fund and Provincial Projects Fund) plus a funding allocation for the new National Tourism Authority.

Tourism Recovery Policy Issues

There are a number of other high priority tourism recovery issues that need to be implemented in a team approach with DoT, the VTO, other tourism industry associations and other stakeholders. These include: the Aviation Access Strategy; Climate Change Adaption Program; Provincial Tourism Support Program; Cruise Tourism Development Strategy; Review of the Tourism Investment Plan; Labour Market Shortages and the Co-ordination of Industry Training Programs; and a Review of the Tourism Marketing Plan. We need to build on the work already undertaken in these policy areas.

References

1. Australian Government International Air Services Commission, Determination 117/24, Qantas Airways
2. Vanuatu Dept of Tourism Pathways to Change (2017), Vanuatu Strategic Tourism Action Plan (VSTAP)
3. Vanuatu Dept of Tourism, Vanuatu Tourism Recovery Plan and Program 2020 to 2025
4. Vanuatu Bureau of Statistics, Visitor Arrival Statistics, 2014 to 2023

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