



World route development consultants

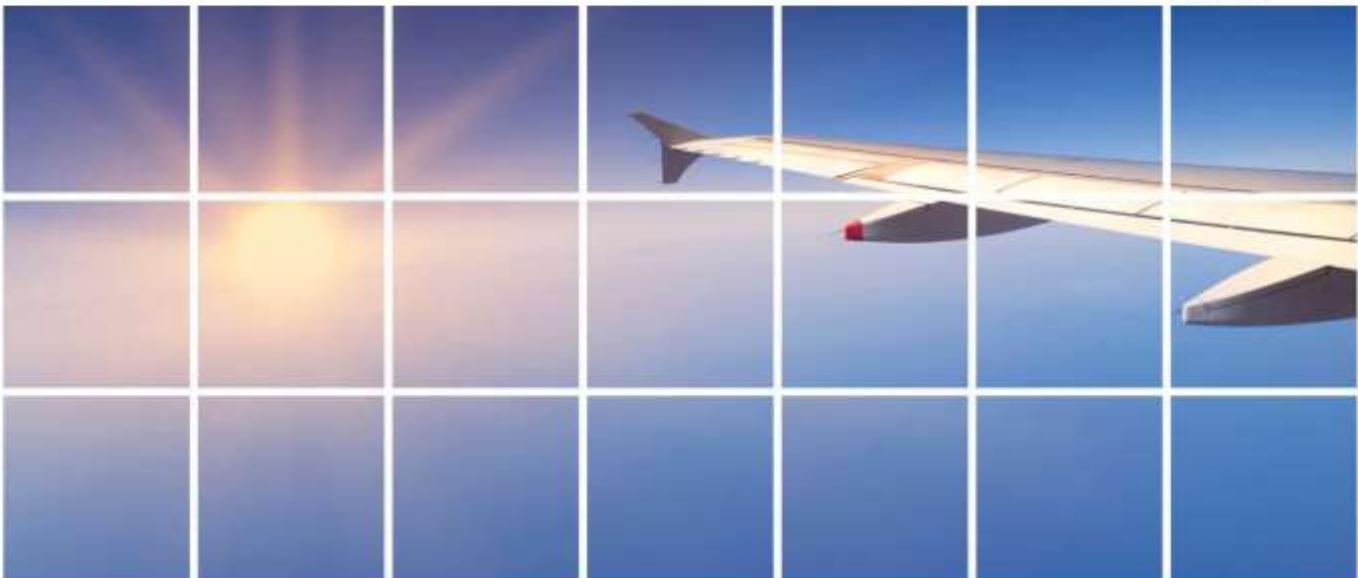


American Samoa

Expanded Vision Document



Submitted by Airport Strategy and Marketing Ltd
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Executive Summary

This document will look at tourism role models, specifically other destinations that have built and sustained a successful tourism industry. These role models will be used as benchmarks to illustrate the steps as well as the time frames that would potentially be required to build the American Samoa tourist industry. It will also look at potential growth opportunities for new air services to Pago Pago.

In order to develop significant improvements in air service to American Samoa four key steps are necessary:

1. Build American Samoa into a Tourist Destination

A long term strategic objective should be to build American Samoa as a tourist destination. Development of tourism infrastructure is critical; hotel capacity, resort properties, attractions, restaurants, and other elements are necessary to enable American Samoa to compete with other destinations for tourist revenues. **This is a long term process, and therefore a 30 year strategy is recommended.** Fiji's tourist boom started in the sixties, their first National Development plan was published in 1973, and the market is still developing and growing. Cape Verde is a more recent example; their tourism numbers in the mid nineties were comparable to what American Samoa's are today. By 2012 they'd grown to nearly 500,000 annual visitors, and their plan is still in development with new hotels and other infrastructure elements still to be built (their first five star hotel is scheduled to open next year).

2. Brand and market American Samoa as a tourist destination

In conjunction with infrastructure development, a strategy to brand and market American Samoa as a tourist destination will be required. The market for tropical destinations is a crowded one with many competitors, so creating a unique brand to define the destination and a strategy to build, promote and sell that brand will be critical to carving out a share of the market.

3. Deliver tourism development services

Tourism products are highly dependent on service staff and drive significant employment numbers. Referring again to the example of Cape Verde, the total contribution of tourism to employment was 76,500 jobs or 38.7% of total employment. By 2022 this figure is expected to rise to 118,000 jobs or 46.9% of total employment (source: World Travel & Tourism Council Economic Impact 2012).

Ensuring the availability and training of sufficient levels of manpower will be necessary to ensure tourism products and services can be effectively delivered.

4. Develop increased air service

A strategy to secure new air services will be an integral part of the overall tourism strategy. Nonstop services from Australia and New Zealand should be pursued, as these represent the largest source of tourists to the neighbouring islands with which American Samoa will be competing. Their proximity makes them a more likely source of visitors as travel time and price are important factors that tourists consider when choosing a vacation destination, both of which increase with distance flown.

In addition, increased service from North America should be pursued as the current twice weekly Monday/Friday service on Hawaiian Airlines does not fit the typical tourist travel profile. Weekend service is a key to attracting vacation travellers. Nonstop service to the U.S. mainland is desirable as Hawaii on its own is not a strong source of tourist visitors given that it's a tropical island destination itself. However, the main obstacle is distance. Because of aircraft range it needs to be flown with larger aircraft, which have corresponding larger seat capacity and therefore need a bigger market volume to support it.

Summary

This document itself is not a tourism plan. However, without such a strategy major progress in air service development will not happen. Tourism has to lead the way, generating demand for air service which can then be marketed to airlines. At the current levels of traffic, there is no motivation for airlines to consider significant increases in capacity to American Samoa.

A 30 year strategy is recommended to build the level of tourism infrastructure and product required to support significant increases in air service. This would need to be addressed by the American Samoa government in its tourism development programs, policies and plans.

Section 1: Tourism Development

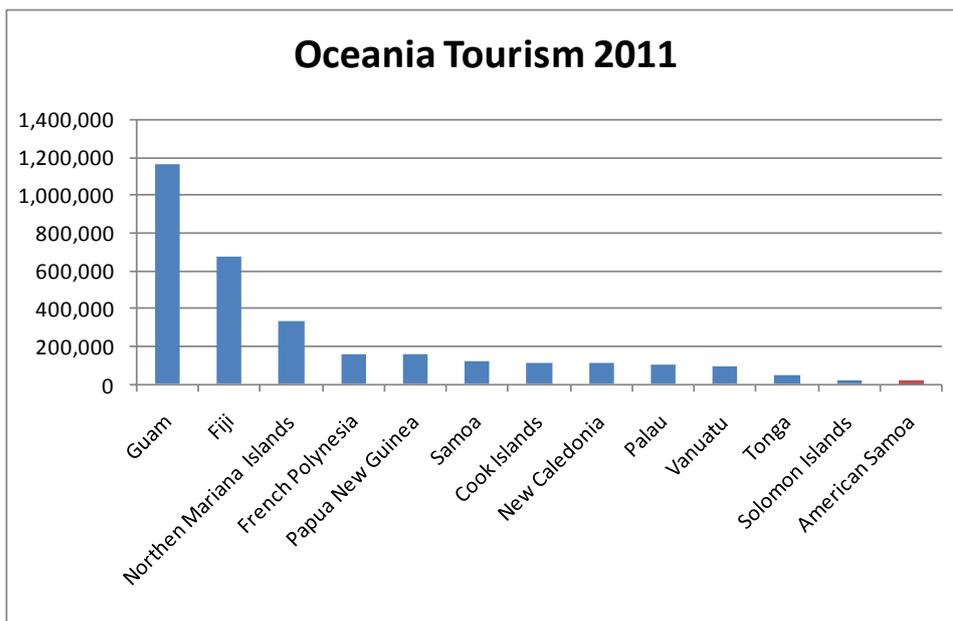
“Build it and they will come”

In this section we will look at Tourism role models, principally we will consider destinations that have developed their products over the past 10-20 years and grown their tourism markets rapidly. We will evaluate what steps they have taken in order to facilitate this process before making recommendations for American Samoa on how to achieve similar success and welcome the potential air services and other benefits that the tourism industry can bring if it is developed in the correct manner.

1.1. Oceania Tourism

As a starting point it is useful to position American Samoa within a geographical context. UNWTO statistics show that tourism to American Samoa is relatively underdeveloped. Most of its neighbouring destinations have already developed a larger visitor base.

Figure 1: Oceania Tourism 2011



Source: UNWTO

In 2011 American Samoa welcomed 22,000 visitors; this is well below even neighbouring Samoa which attracted 121,000 tourists. However the figures can also be seen as encouraging as American Samoa shares many of the same attributes as other Oceania destinations suggesting that expansion of the tourism product could be a successful endeavour.

Table 1: Oceania Tourism 2011

Destination	2011
Guam	1,160,000
Fiji	675,000
Northen Mariana Islands	336,000
French Polynesia	163,000
Papua New Guinea	163,000
Samoa	121,000
Cook Islands	113,000
New Caledonia	112,000
Palau	109,000
Vanuatu	94,000
Tonga	46,000
Solomon Islands	23,000
American Samoa	22,000

Source UNWTO

Tourism Role Models

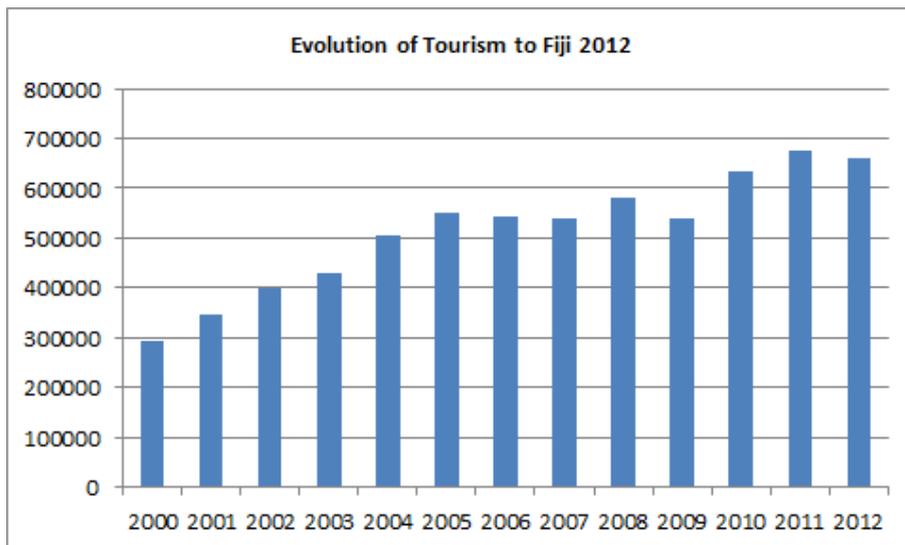
From the table above it is evident that Guam, Fiji and the Mariana Islands have succeeded in attracting the highest levels of tourism, we will therefore firstly consider what facilitators these destinations have used to emerge as the frontrunners in the region. After this we will look at destinations elsewhere in the world; Cape Verde, Costa Rica and Mauritius to see what they have done to emerge over the past couple of decades to push forward their products successfully.

1.2. Fiji



Fiji has been chosen as the first case study as American Samoa shares many of the same KSPs as the destination. It was in the late sixties and early seventies that Fiji experienced a tourism boom, driven by an expansion of hotel rooms, increased marketing initiatives by the Fiji Visitors Bureau, and development of the aviation sector. Tourism has grown rapidly in Fiji since then; it now welcomes over 650,000 visitors on an annual basis which is greater than the rest of the South Pacific combined. The industry contributed to 38.4% of the national economy in 2012, around USD\$1.34 billion in total. Fiji markets itself around its friendly locals, quiet beaches, coral reefs, turquoise lagoons, tropical forests, cruising, water sports, wedding & honeymoons, natural and cultural attractions. It consists of 330 islands, 100 of which are inhabited. Only a few have been developed for tourism.

Figure 2: Evolution of Tourism to Fiji



Source: Ministry of Tourism Fiji

Enablers

We will now consider what steps Fiji has taken to achieve the high levels of tourism seen above.

National Tourism Development Plans

It is important for any tourism destination to develop a clear strategy and vision. The first National Development plan for Fiji was published in 1973, subsequently there have been three further plans, each of which have presented different elements of development. The latest plan was put out to tender in 2012, the UNWTO assisted with the assessment of proposals. **The initial plan concentrated on the physical environment and building infrastructure to facilitate tourism**, later plans developed the themes of community integration and a more sustainable and eco-friendly product. The process of building infrastructure has been ongoing over the past 40 years and is still underway.

Accommodation

Fiji is sold as a high-end luxury destination with international hotel chains, including Sheraton, Intercontinental, Hilton, Warwick and Shangri-la however it also has smaller scale locally owned hotels which allows it to appeal to a wider tourist demographic and budget than other Pacific islands including backpackers, adventure, culture and other niche travellers.

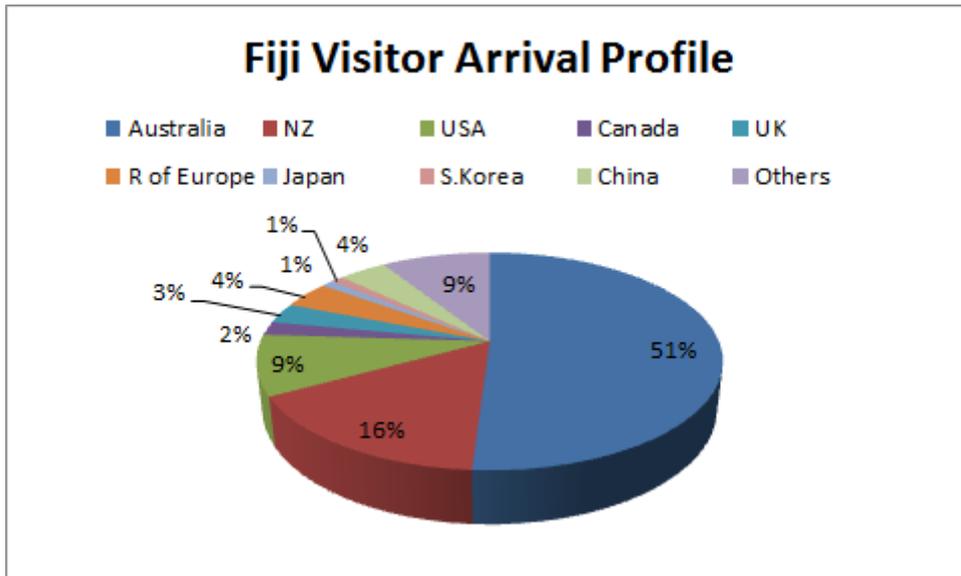
Financing

The Fijian government has traditionally been supportive of the growth of the tourism industry, viewing it as the key industry for the country. **In 1998 Tourism Fiji was allocated \$USD 7 million to market tourism, this figure has now risen to USD\$12 million on an annual basis, the government's budget intends to cement the destination as the number one foreign exchange earner.**

Air Access

Obviously the network at Nadi International Airport has greatly facilitated the rise of tourism in Fiji, the airport acts as a gateway to the destination and permits access from traditional tourism markets;

Figure 3: Fiji Visitor Arrival Statistics



Source: Ministry of Tourism Fiji

Moving forward Fiji hopes to grow its emerging Chinese and India markets and use air service development to help facilitate this.

Furthermore In 2012, Air Pacific announced it would rebrand to Fiji Airways from 2013 to better reinforce its role as the national carrier. The rebranding was part of a wider strategic review that will see the airline focus on an expanded network, the introduction of new aircraft and an overall enhanced product offering.

Events

Fiji holds key events to help drive tourism to different sectors of the market, these include a women’s tennis tournament attracting WTA ranked players, a Jazz Festival, a Bula Festival and a South Pacific Food and Wine Festival.

Casino

Moving forward a USD\$290 million casino development is being developed by One Hundred Sands Limited a subsidiary of a US company, it is slated to open in 2015 and will include a 1600 capacity centre to further develop the MICE market. An investment in niche sectors of the market could potentially be lucrative.

Land Policy

Unlike many other Pacific Islands the Fijian government has been very active in legislating and protecting land ownership rights, about 88% of land is owned by indigenous Fijians. The Native Lands Trust Board (NLTB) has been very active in providing a framework for leasing arrangements to be agreed and facilitated; this policy has allowed native Fijians to enter into mutually beneficial agreements with foreign resort developers. The NLTB is often the driving force behind proposals to foreign investors to develop new tourism infrastructure and major tourism projects in Fiji. It secures fair lease payment, protects and secures both parties and integrates local Fijians into the tourism market. A new lessee is required to assist their land owner with water supply, health provision and electricity.

An example of an agreements reached by the NLTB is the opening of the Mana Island Resort in 2003. The agreement ensured that the resort employed and trained landowning locals, their Board of Directors had local representation, it maintained public access to beaches and marine life which has been crucial in allowing the continued development of locally owned Fijian hotels and their backpacker market. Its local village has been able to open its own backpacker facility, craft shop, mini market and boat trip touring company as a result.

Sustainable Tourism

The Fijian government placed emphasis on policy that promotes a sustainable tourism industry. For example Fiji has over 170 Marine Protected Areas, what makes them unique is that they are protected by local villages who work together to restrict fishing, diving and other activities, this keeps fishing sustainable helping to protect tourism related jobs and local environment. Hotels are encouraged to grow their own produce and preferably not import goods. Foreign investors are also encouraged to employ locals and use local vendors.

This is earning the island a reputation as a leader in sustainable tourism, in contrast to many of its competitor's in South East Asia and the Caribbean. However it is also argued that outside of the main tourism belt many regions of Fiji remain live in poor conditions, with over 30% of the population living under the poverty line.

Incentives

The government encourages private sector growth and investment to increase bed stock on the island it offers the following incentives

- 100% write off of all capital expenditure in any one year over eight years.
- Carrying forward of losses for up to six years
- Duty free import on equipment
- Waiver of corporate tax for 20 years

“Investing in Fiji” is a government body that aims to facilitate and encourage foreign investment.

Marketing

Fiji tourism has recently rebranded under the slogan “Fiji: Where Happiness Finds You”, to market the destination abroad. The Tourism Authority appointed new advertising, public relations and social media agencies in Australia, New Zealand, the US and China to assist with the brand launch. It is targeting China, South Korea and Taiwan in particular for future development.



Examples of destination branding/advertising:



1.3. Guam

Guam is another example of a leading Pacific Island tourism destination; it attracts over 1 million tourists a year, generating \$1.4 billion for the island's economy (approximately 60% of annual business revenue) and 18,000 jobs

Enablers

Accommodation Infrastructure

The original catalyst for Guam's tourism market was the launch of a Pan Am service to Tokyo in 1967 which gave the island's first international visitors from Japan access to the island. This spurred on a growth in accommodation infrastructure during the 1970s, by 1980 there were 2,345 hotel rooms which welcomed 300,763 annual visitors. By 1990 hotel capacity had grown by 111% to 4,955 rooms and Guam attracted 780,404 visitors. During the past two decades Guam's tourism industry has grown by 67% to 1.3 million annual visitors.

Currently Guam has 8500 rooms, an extra 500 are due to be added by in July 2014 by the opening of the Dusit Thani Guam Resort, which will be located on the beach and has a large conference centre, shopping centre and bars and restaurants. It is estimated that this development will cost the Dusit Group \$200 million, the Thai hospitality company intend on opening a Sales office in Japan to assist with promotion.

Japan

The Japanese outbound market was the original catalyst for the surge in tourism in Guam; the Guam Visitors Bureau opened a Japan office in 1976 and introduced a Japanese visa waiver programme in 1988. Initially a clever move to grow tourism quickly overreliance on one market would not be recommended as an overall strategy.

Brand Development



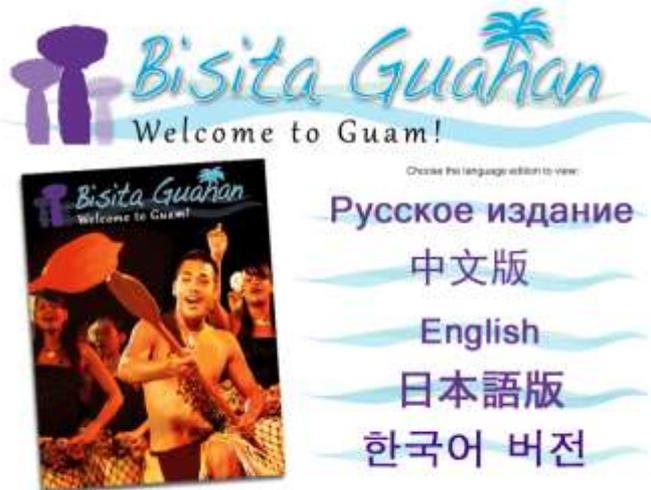
Guam achieved such a rapid growth in demand by marketing itself as a “close and cheap” destination; as such the destination became highly commoditized and sold via wholesalers. This allowed the destination to increase traffic volumes rapidly. However, Guam quickly became known as a second tier, low-quality budget destination, discounted air-hotel packages left little profit for service providers and bulk airline and agent bookings left little money for higher spending FITs (Free Independent Travellers). Today Guam focuses on different branding to attract a range of markets and new clientele,

- *Japan – “Memories of Guam” to attract an older more traditional clientele*
- *Korea – “Guam is always young” – seeking the young independent traveller*
- *Taiwan – “Blessings and Happiness in Guam”*
- *Philippines – “G2,G2,G2” “Go to, Go to, Go to Guam” plays on the fact that the Philippines is a US territory, marketed as a shopping trip.*

Tourism Strategy

The Guam Visitors Bureau is aware that it is facing a threat from an ever competitive global tourism market as new destinations emerge, it is also conscious that forecasts suggest that its leading outbound visitor market Japan may stagnate or even decline. As such it has prepared a strategic plan “Tourism 2020”; it has developed eight key objectives which it believes are needed for Guam to thrive moving forward.

Some examples of destination branding/advertising are as follows:



1.4. Saipan



As the capital of the Commonwealth of the Northern Mariana Islands (CNMI) and their tourism centre Saipan is another useful regional benchmark. Today the destination is highly developed with a range of hotels including international chains, shopping centres and golf courses. Saipan has targeted the family market, with duty-free shopping and large resorts. Elsewhere within the CNMI Tinian markets itself to gamers with a purpose built casino and Rota attracts eco and adventure tourists. Tourism peaked in 1997 with 727,000 visitors; it now sustains around 330,000 visitors a year. The original catalyst for decline was the withdrawal of air services in the 2005 and 2006 period (including Japan Airlines and Continental Airlines), however it is still useful to look at the steps that Saipan took originally to build up its tourism industry.



Enablers

Foreign Investment

In the late 1980s and early 1990s tourism experienced rapid growth largely thanks to direct foreign investment in resort hotels. Primarily from Japan and Korea foreign companies invested huge sums of money in land acquisition, hotel construction and golf course development. As a former Japanese territory Saipan benefited in particular from the economic boom of Japan in the 1980s, it is estimated that Japanese investors spent over

USD\$1 billion in the latter half of the 1980s alone. The Japanese who felt an affinity to the destination were keen to travel to Saipan and enjoy its new developments.

Saipan currently has nine operating resorts as well as budget hotels and boutique properties. Even though the destination has seen a 13% overall decline in the number of hotel rooms in the past decade it still has 2,909 rooms.

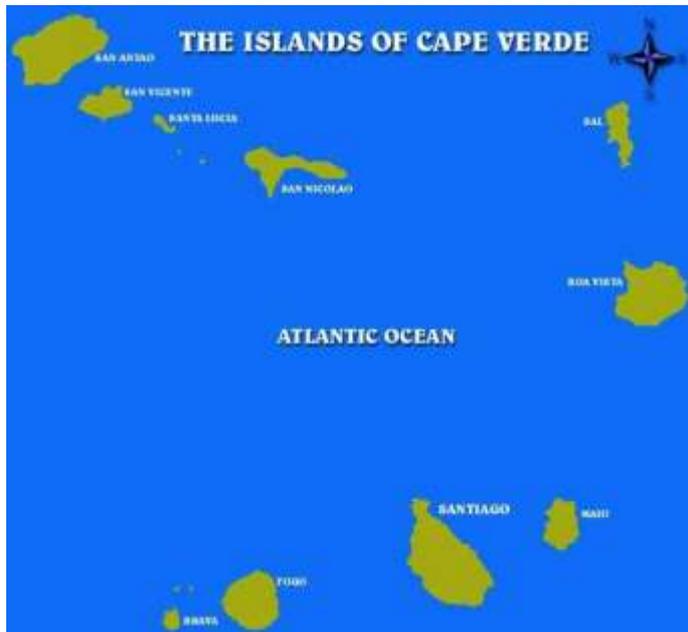
Foreign Labour

The CNMI government controlled its own immigration until 2008 and allowed hotels and other businesses to recruit foreign workers according to need. They became the dominant force in the industry, around 80% of employees at their peak.

Hotel Associations

In 1986 the Hotel Association of the Northern Mariana Islands was formed by hotel executives to discuss key issues effecting the destination. It has tracked tourism performance since 1992 which has proved valuable for the redefining of goals and strategies moving forward. It also addresses workforce issues and founded another body the Society of Human Resources Management (which quickly became a member of the US national organization of the same name) which helps to train and meet the challenges met by hotel employees.

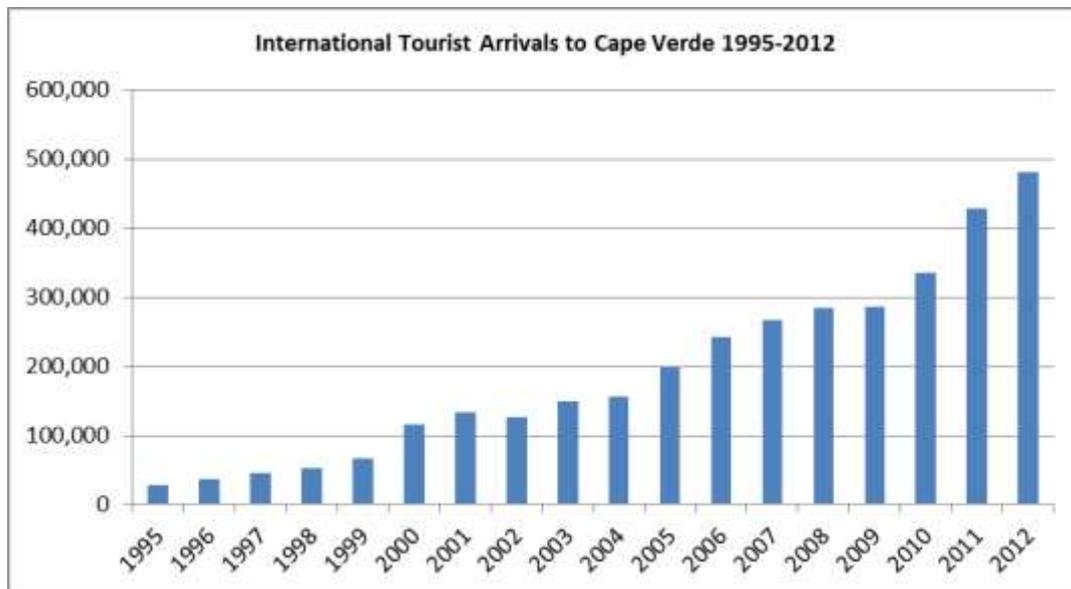
1.5. Cape Verde



Now we will look at case studies from elsewhere in the world. Cape Verde is a group of islands located off the West coast of Africa. The country is a development success story, turning itself in two decades from one of the poorest countries in the World to one of Africa's top performing economies; it has also been reclassified as a Middle-Income country. As there was very little industry or agricultural resources tourism was identified as an important tool for development. Cape Verde has established itself as a tourism destination and moreover it has drawn the majority of its visitors from the competitive European market. The growth of tourism has also directly and indirectly fuelled the growth of other sectors such as transport, construction, banking and insurance, growing at rates of 200-300% in the 1990s.

Cape Verde has seen consistent high rates of tourism growth, with an exceptional average growth rate of 19% per annum between 1995 and 2012; even the 2008 global economic crisis did not hinder growth.

Figure 4: International Tourist Arrivals to Cape Verde



Source: Cape Verde Government

Enablers

Investment

In 1975 there was only one hotel in the country with 12 rooms; this had grown to 10,000 in over 5000 rooms by 2007. Since 1991 the Cape Verdean government has actively pursued foreign investors, from 1994 to 2000 about USD\$407 million in foreign investments were made or planned, of which 58% were in tourism. The World Bank, IMF and United States government all supported Cape Verde’s efforts to create a market orientated economy and provided funding. For example the United States government donated \$110 million through its millennium challenge corporation. Close relationships with Portugal also ensured a loan of US\$300,000 to begin a national restructure. Together with high remittances (40-60% of GDP at that time) infrastructure was improved with the construction of roads, ports, airports and adequate water resources.

The establishment of a government agency to specifically market to and facilitate the process of investing in the country Cabo Verde Investimentos (CVI) has also assisted with the development of infrastructure. Grant Thornton estimates that between 2000 and 2006

foreign companies invested USD\$ 977 million into 84 projects on Cape Verde and that tourism investments constitute 95% of all foreign direct investment.

Through legislation; duty free imports on construction materials and five year holiday on corporate tax the government have been able to encourage further investment.

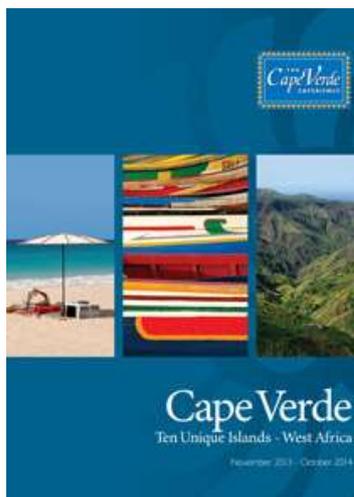
Next year the first 5 star resort a Hilton Hotel will open in Cape Verde, it will have 240 rooms, a conference centre and a casino, the project will cost USD\$53.8 million and has primarily been funded by local banks. Two resorts are to be built by the Spanish Group Decameron and will cost USD\$191 million, they will add a further 1100 rooms and include a water park and golf course.

Investment in accommodation stock has also increased the number of hotel staff required. There were 1,561 hotel employees in 1999; this had doubled to 3,450 by 2007.

Airport development and air service agreements

Cape Verde has signed air service agreements with the EU, it is continually developing its airports and has been rated category one by the FAA which makes it one of the few African nations to meet ICAO safety standards.

Tourism Model



Cape Verde has based its product on an a simple all-inclusive package tourism model based on sun and sand for Europeans, additionally it offers a disease free, secure and socially peaceful environment in contrast to some of its African competitors. This has enabled tour operators to sell the products with relative ease. Additionally it has also attracted Europeans who have bought second residencies in the country.

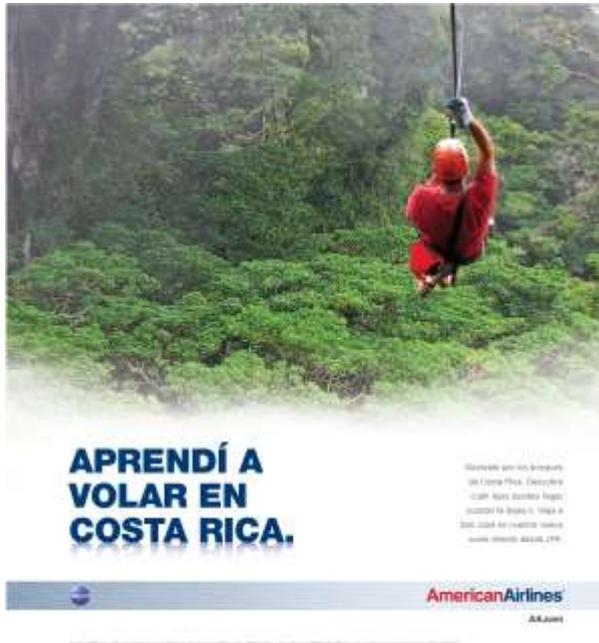
Target Markets

Although currently a primarily attracting European holiday makers Cape Verde has tried to diversify its source markets as even within European countries trend for holidaying varies, allowing seasonality flows to be lowered. Different source markets have also allowed hoteliers to keep contract rates with tour operators high.

Strategic Plan

A clear strategic plan was formed in 2001 by the government that recognized the product capacity on Cape Verde had to be expanded in order to enhance the attractiveness of the destination. This included a transport development plan, the creation of tourist development zones to facilitate the supply of land for tourism development. Recent master plans also include issues such as environmental sustainability, local benefits and linkages between tourism and non-tourism economies, which moves beyond the conventional tourism strategy.

1.6. Costa Rica



In recent decades Costa Rica has developed its reputation as one the World's leading eco-tourism providers. Whilst other Third-World countries have industrialised and urbanised in attempts to grow their economies Costa Rica focussed on its bio-diversity, wildlife, beaches and rainforests to promote tourism. Tourism has successfully brought economic opportunities to disadvantaged rural communities.

Enablers

Biodiversity

Costa Rica's environment (its large range of flora and fauna in 24 national parks) are all located in a relatively short region making it accessible for tourists.

Investment in Accommodation

During the mid 1990s it was estimated that the country required 500 extra rooms a month to meet demand. Resorts were developed; the Gulf of Papagayo was built into a mega resort with hotels, golf courses and shopping centres next to a tropical rainforest.

Investment principally came from European developers, spearheaded by the Spanish Investor Sol Melia.

International Support

The development of Costa Rica's tourism industry was both politically and financially supported by the IMF, World Bank, and the United States. The World Bank approved a \$40 million loan for Costa Rica, a large portion of which focused on ecotourism, including a unique program of paying landowners not to cut down their forests. This international support, has given Costa Rica a degree of financial stability in handling the substantial costs of developing an ecotourism industry.

Training

The US Agency for International Development has been active in promoting environmental protection and ecotourism in Costa Rica by training park rangers and guides, funding conservation efforts, and setting up the Agricultural School for the Humid Tropical Region, or EARTH by its Spanish acronym.

Safety and Security

Political stability and low crime rates enabled Costa Rica to flourish whilst neighbouring countries encountered difficulties.

Signage

Signage throughout the country is informative and with detailed information to ensure visitors can learn from what they see, it has facilitated the whole tourism process.

Marketing



Costa Rica uses the “No artificial ingredients” branding to advertise itself in a range of traditional and social media campaigns, all tourist activities are promoted through social media, including Facebook, Twitter, the country’s own YouTube channel, an App and downloadable wallpaper.

1.7. Mauritius



As another island community it is valuable to note how Mauritius has developed into a successful tourism destination. In 1970 Mauritius welcomed 18,000 tourists which is less than current levels seen in American Samoa. The destination now welcomes almost 1 million visitors per annum.

Enablers

Air Service Liberalisation

Given the relative isolation of the island from most major tourism markets air access has been critical in the development of the destination. Mauritius first engaged in air liberalisation in 1930 and has signed over 30 bilateral air service agreements since.

Product

Mauritius has had a very clear vision of what it represents; a stable, safe and welcoming multi-ethnic environment. It has world-class hotels but its diverse product base enables to cater to a multitude of customer needs and segments; from families, couples, honeymooners, seniors, sports enthusiasts and MICE travellers. There is also a demand for wellness and spas, medical tourism, cosmetic and aesthetic surgery, and for cultural tourism, including visits to places of worship.

Mauritius Tourism Promotional Authority



The Mauritius Tourism Promotion Authority (MTPA) was established in 1996 to promote Mauritius abroad as a tourist destination by conducting advertising campaigns, participating in tourism fairs and organizing, in collaboration with the local tourism industry, promotional campaign and activities in Mauritius and abroad.

1.8. Recommendations

This section highlights some of the key steps required in tourism development and our recommendations for American Samoa. Among the destinations reviewed, Cape Verde is the recommended role model to be followed because their development is relatively recent (starting twenty years ago and still in progress) and their tourism numbers when they started were similar to what American Samoa's are today.

1.8.1 Tourism Development Plan

A clear, focused tourism development strategy is essential for all successful tourism destinations. **To develop a competitive tourism infrastructure a 30 year strategy is recommended, with a mechanism for annual reviews.** The strategy needs to encompass development of a full tourism infrastructure, by means of a government agency specifically charged with facilitating the process of investing in the destination (as was done in Cape Verde with Cabo Verdi Investmentos). Bodies such as the UNWTO can also assist with the assessment of tenders from private companies to draft out plans and strategies on behalf of American Samoa.

1.8.2 Investment

Once suitable land for development has been identified potential investors should be invited to view American Samoa. As American Samoa will be competing with destinations throughout the world for foreign investment it is more than likely that private companies will expect government help to reduce start-up costs; these may include tax breaks or credits, free use of government land for a specified period, exclusivity or limited competition to operate within a specified time. Assistance with workforce screening, training and development and grants for marketing and promotional activities can also be offered. The US government should be able to assist with the validation and viability checks of potential agreements. As a guideline a luxury hotel resort set to open in Guanacaste in Costa Rica in 2015 with 381 rooms spread over 21 acres is set to cost investors \$170 million.

1.8.3 Target Markets

Any destination needs to identify key target markets and adjust marketing strategies appropriately. Cape Verde's model targeted Europeans because of their geographic proximity to the destination and their propensity to travel. For American Samoa, the target markets of focus should be Australia and New Zealand. The use of GSAs or overseas Sales Offices should also be considered. Research should also be conducted in order to align infrastructure development around holiday activity preferences for different target markets, for example shopping centres, golf courses or casinos.

1.8.4 Tour Operators

Tour operators are highly skilled at promoting tourism services, any destination hoping to drive demand through tour operators should seek their opinion and build a CRM of contacts.

1.8.5 Facilities

Aside from the construction of tourism accommodation public infrastructure will need to be developed to meet demand. Even though facilities in American Samoa are advanced in comparison to some Pacific Island destinations, further upgrades are required in order to attract international visitors, particularly in regards to beaches and parks.

1.8.6 Sustainable Tourism

Sustainable or ecotourism is one of the fastest growing sectors in World Tourism. American Samoa certainly has the environmental attributes to develop this sector; its National Park, bird and marine life together with its "untouched" "undeveloped" aspect can also be used as a positive attribute as seen in Fiji and Costa Rica. Sustainable tourism will help to safeguard the islands moving forward by reducing the negative environmental effects seen by tourism because of the economic potential brought into a location by visitors, nature based tourism motivates destinations to protect forests, wildlife and coral reefs.

Efforts should be made to keep the local population close to tourism development to prevent any economic benefit seeping out to foreign investors. For example any tour leaders should be natives, and all efforts should be made to ensure a high level of local employment.

1.8.7 Training and Human Resources

Adequate staff training and transfer of knowledge will be required if the population of American Samoa is to benefit from a rise in tourism and be employed in by the sector. The US government may be able to assist with hospitality training programmes.

1.8.8 Cruise Industry

Development of the cruise industry is a means of adding visitor volume and tourism receipts to a destination without the need for additional hotel rooms or heavy infrastructure development. Consider forming a “Cruise Action Association” to look at ways of working with operators to help enhance this industry.

1.8.9 MICE Industry

The Meetings, Incentives, Conventions and Exhibitions (MICE) industry is another growing niche tourism sector. Although this would be a long term goal for American Samoa it is valuable to consider its inclusion in development plans as business travel helps to ensure visitors in off peak periods. As a guide this market is driven by private investment hotels that do their own overseas marketing.

Section 2: Hub of the Islands

In this section we will look at the potential to introduce new nonstop services from American Samoa to other destinations in the region. This would provide a connection to long haul flights from those destinations, and would also create opportunities for passengers travelling within the network to use Pago Pago as a connection point. We start by looking at all destination airports within a 1,000 mile radius of Pago Pago, ranked by their total enplaned/deplaned passenger volumes for 2013.

<u>City</u>	<u>Country</u>	<u>Code</u>	<u>2013</u> <u>Passengers</u>	<u>Distance from</u> <u>PPG (miles)</u>
Nadi	Fiji	NAN	1,430,302	821
Rarotonga	Cook Islands	RAR	330,058	861
Apia	Samoa	APW	245,181	93
Suva	Fiji	SUV	197,408	756
Nuku'alofa	Tonga	TBU	150,124	561
Labasa	Fiji	LBS	79,078	680
Aitutaki	Cook Islands	AIT	64,663	791
Wallis Island	Wallis and Futuna	WLS	50,068	373
Savusavu	Fiji	SVU	18,079	681
Taveuni	Fiji	TVU	16,846	647
Futuna Island	Wallis and Futuna	FUT	16,669	498
Kandavu	Fiji	KDV	6,572	802
Funafuti Atol	Tuvalu	FUN	5,549	792
Atiu Island	Cook Islands	AIU	3,861	922
Mangaia	Cook Islands	MGS	3,769	991
Mauke Island	Cook Islands	MUK	2,522	968
Mitiaro Island	Cook Islands	MOI	2,512	939

Given the current market volumes and existing route networks in place, developing Pago Pago as a regional hub does not appear viable. For a successful hub operation, a solid base of local traffic is necessary on which to build. Connection traffic would supplement the local demand and help support a larger network, but without that base of local demand a network would not generate sufficient passenger volumes to operate profitably. Passenger demand to American Samoa from these other islands is fairly small, with the limited

exceptions of Nuku'alofa, Nadi and Suva. However, these markets already have nonstop service to the largest destinations.

Additionally, the larger markets in the region already have established hub networks with service to the major destinations. While none is a true hub connecting the entire South Pacific islands region, each does offer connectivity from within their regions to/from the important long-haul markets. Lastly, the timings on the current long-haul service to Pago Pago on Hawaiian Airlines do not lend themselves to a connecting service. The aircraft turn time in Pago Pago is only 1:50 as Hawaiian files the aircraft back to Honolulu as a redeye flight. Therefore there is not sufficient time for a connecting flight to bring passengers to a secondary destination and get the aircraft back in time to connect to the outbound flight.

The focus of this section therefore should be on securing service to these larger neighbouring markets, as they have the highest local traffic potential and, more importantly they have nonstop services to long-haul destinations that could connect to a Pago Pago service. The markets that offer the best chances of success based on market size and connectivity potential are Nadi, Rarotonga, Apia (Faleolo), Suva, and Nuku'alofa.

Nadi, Fiji (NAN)



Nadi is the largest hub in the region, with a total of 1.4 million passengers annually, 17% of whom are connecting. Connections in Nadi are primarily long-haul passengers from Fiji, Tonga, Samoa and neighbouring islands connecting to Australia, New Zealand, Asia and North America. A direct flight from Pago Pago would provide a connection product to the following long-haul destinations. Honolulu is shown as a new connecting opportunity as the FJ flight is on Sundays, a day on which Hawaiian doesn't operate to PPG.

	<u>Carrier</u>	<u>Weekly Flights</u>
Auckland	Fiji Airways	10
	Air New Zealand	7
Brisbane	Fiji Airways	7
	Virgin Australia	7
Christ Church	Fiji Airways	1
Honolulu	Fiji Airways	1
Hong Kong	Fiji Airways	3
Los Angeles	Fiji Airways	7
Melbourne	Fiji Airways	5
	Virgin Australia	7
Seoul	Korean	3
Sydney	Fiji Airways	15
	Jetstar Airways	4
	Virgin Australia	8
TOTAL		85

Rarotonga, Cook Islands (RAR)



Rarotonga serves Auckland, Sydney and Los Angeles and offers connecting service to the smaller destinations in the Cook Islands. Total enplaned/deplaned passengers for 2013 were just over 330 thousand. A direct flight to would provide a link between The Cook Islands and Hawaii (there is no direct service today) as well as connecting to the following long-haul markets:

	<u>Carrier</u>	<u>Weekly Flights</u>
Auckland	Air New Zealand	8
	Virgin Australia	5
Los Angeles	Air New Zealand	1
Sydney	Air New Zealand	1
TOTAL		15

Apia, Samoa (APW)



Pago Pago to Apia is currently by Polynesian Airlines (into FGI airport) as well as Inter Island Airways (into APW airport). FGI is preferred by local passengers, but it offers no connecting capability to long-haul destinations. The APW service is operated by the Dornier 228, which is not a suitable aircraft for long-haul connecting passengers due to its slower speed, small

size, and lack of a lavatory and flight attendant on board. Upgrading this service to the Dornier 328 could make it viable as a link to following nonstop flights:

	<u>Carrier</u>	<u>Weekly Flights</u>
Auckland	Air New Zealand	6
	Virgin Australia	6
Brisbane	Virgin Australia	1
Sydney	Virgin Australia	3
TOTAL		16

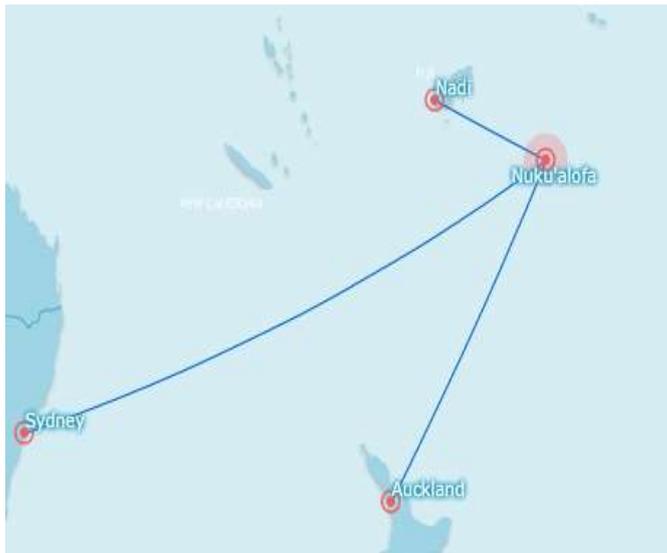
Suva, Fiji (SUV)



While Suva is a relatively large market in the region, with almost 200 thousand passengers annually, over 60% of the traffic is travelling within Fiji so the long-haul volumes are much

lower. Service to Suva would therefore work better as a tag to another route rather than nonstop. Since PPG-APW is already served, extending this flight to operate PPG-APW-SUV would be more cost effective and would also support the APW service.

Nuku'alofa, Tonga (TBU)



Although a smaller airport (150 thousand passengers), it does have nonstop service to both Auckland (served daily between Air New Zealand and Virgin) and Sydney (twice weekly on Virgin) and as well there is a market for local traffic between Tonga and American Samoa.

Inter Island Airways

The proposed Inter Island Airways operation provides an interesting foundation on which to build, but needs to be accelerated both in terms of network and fleet. At a minimum the focus should be on expanding services using their larger DO328 aircraft and not on the DO228. Their scope of operations is severely limited with the DO228 due to its inferior range (823 miles with full payload), cruise speed (190 knots) and seat capacity (19 seats). The DO328 offers 30 seats, a full payload range of 1,150 miles, a flight attendant on board, and a cruise speed of 335 knots making it a more attractive product than the 228 and with more potential market opportunities. In the longer term, the introduction of jet aircraft could extend the range of the PPG based network to potentially include destinations in Vanuatu and French Polynesia.

A proposed network serving these five destinations with the DO328 (or an equivalent aircraft) could potentially look as follows:

<u>Route</u>	<u>Miles</u>	<u>Block Time (1)</u>	<u>Weekly Frequencies</u>	<u>Weekly Block Hours</u>	<u>Acft Required (2)</u>
NAN-PPG	821	2:58	7	41.5	0.7
RAR-PPG	861	3:06	4	24.8	0.4
TBU-PPG	561	2:03	3	12.3	0.2
SUV-APW	691	2:31	3	15.1	0.3
APW-PPG	93	0:31	7	7.2	0.1
TOTALS			24	102.4	1.7

(1) Block times based on turbo-prop aircraft

(2) Aircraft requirements based on average daily utilization of 8.0 hours. Since two full aircraft would be required, actual daily average utilization would therefore be 7:19 hours/day

If the proposed operation were to achieve a 70% load factor, and an average one-way sector fare of \$175 (based roughly on what other markets in the region are achieving), the annual figures would look as follows:

<u>Route</u>	<u>Freq</u>	<u>Block Hours</u>	<u>Seats</u>	<u>Pax</u>	<u>PLF</u>	<u>Avg Fare</u>	<u>Pax rev (\$000s)</u>
NAN-PPG	730	2,166	21,900	15330.0	70%	\$175	2,683
RAR-PPG	417	1,293	12,514	8760.0	70%	\$175	1,533
APW-PPG	730	377	21,900	15330.0	70%	\$175	2,683
TBU-PPG	313	641	9,386	6570.0	70%	\$175	1,150
SUV-APW	313	787	9,386	6570.0	70%	\$175	1,150
	2,503	5,265	75,086	52,560	70%	\$175	9,198

If we assume a typical operating cost/hour for the DO328 of \$1,400, the annual variable operating cost would be about **\$7.4M**, providing a **\$1.8M** contribution before aircraft ownership.

The airline's distribution system needs to include GDS and online booking capability in order to effectively sell connecting itineraries to the long haul destinations. Their current booking process involves passengers requesting space by email and waiting for a response from the carrier. Additionally, interline agreements with the long-haul carriers at these destinations (primarily Air New Zealand, Virgin Australia, and Fiji Airways) will need to be struck so that through fares can be sold to the public. Since none of these carriers serve Pago Pago today, this would represent incremental traffic for them.

Inter Island has two Dornier 328 aircraft in the region, although one aircraft has not flown in over a year. To get the 2nd aircraft activated and flying on the proposed routes, ASG would need to offer financial incentives to the airline to get the operation up and running with these two aircraft, and to upgrade their distribution systems to sell seats through the GDS and online channels. The Dornier 228 currently flying on the PPG-APW would then become available; it could potentially serve as a backup aircraft, or be deployed to provide supplemental frequencies on peak demand days.

Section 3: New Long-Haul Route Opportunities

In this section we will look at the potential to secure introduction new services to Pago Pago.

Critical to the success of this element is the tourism development plan outlined in section 1. At the current traffic volumes, securing new long-haul routes is very unlikely as the airlines will not consider the market size as too small to justify direct service. Furthermore, given the lack of tourism infrastructure and hotel capacity, projections for growing the traffic beyond its current levels are limited. However, once sufficient progress has been made in

expanding the tourism capacity and building American Samoa as a tourist destination then a viable business case could be built to pursue new airline services.

With current long-haul service being limited to Honolulu only (with connections to the US mainland), the largest potential sources of new business would be Australia and New Zealand. Other destinations in the region (specifically Fiji, Tonga, The Cook Islands, and Samoa) are drawing the majority of their air traffic from these markets because their proximity makes them a more likely source of tourists than North America.

Some specific airlines that should be targeted are as follows:

Jetstar Airways

Jetstar Airways operates an extensive network based in Australia, including services to Nadi and to Honolulu from Sydney. Their Nadi service operates 4 times weekly using an A320 with 180 seats, and their average fares are about 10%-12% lower than other carriers serving the market (Fiji Airways, Virgin Australia) so as a low cost carrier they could be effective at stimulating the market. Past efforts at communicating with Jetstar about service to Pago Pago have not received a response, but a renewed effort could be made once sufficient progress has been made on the tourism front.



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