

## 5. TOURISM

### 5.1 Overview

The Palau Islands have been known by the divers as one of the most attractive diving tour destination in the world such as Caribbean Sea, Maldives, Red Sea and Great Barrier Reef. Therefore, the present main tourism attraction of Palau Tourism is Diving Tours and majority of the tourists visits Palau for diving. The clear and transparent water, dens population of sea lives and scarce species of the marine lives such as sea turtles, dugongs and nautilus attract many divers from Japan, America and Europe. Therefore, protection of marine environment and ecology of marine lives are the supreme tasks for sustainable development of Palau Tourism.

The most remarkable characteristics of Palau Tourism are that it has been developed and operated by foreign tour operators. Most of tour operators in Palau are at present Japanese, Americans and Taiwanese. It is just similar to the history of tourism development in Europe that British tour operators developed many famous tourist areas in France, Spain and Switzerland in 19<sup>th</sup> century. The tour operators companies are owned by Palauans. But foreign partners operate most of them. Some companies handle only Taiwanese tourists groups by Taiwanese and Chinese staff because of language barrier.

Since 1993, Taiwanese tour operators introduced the new type of tourism into Palau. The Taiwanese tourists selected Palau as a new tour destination with untouched nature. They visit Palau not for diving but to experience blue transparent sea, calm natural environment and scenery of Rock Islands. At the same time, they introduced also new tourism pleasure activities to Palau so called recreational tourism, which no one in Palau has expected before, such as banana boat, surf-bike, sea walker, parasailing, Jet Ski, glass bottom boat, water wheeler, and picnic to islands. They enjoy snorkeling but diving is not their main activity.

As the many Taiwanese tourists were beginners of overseas tourism, they visit Palau with fully packaged organized group of tourists, which generated a big argument among the Palauan tourism suppliers. It was mainly caused of little experience of Palauan operators to provide friendly and precise services for those types of tourists. According to the report about Taiwanese tourists, which was prepared by PVA (Palau Visitors Authority) in 1999, the topics of the report were mostly based on complaints about their small economic gains and shock by the impacts, which the Palauans have never experienced before. Unfavorable behavior of some tourists also surprised the Palauans as well. However it is the fact that the Taiwanese tourism opened the door of Modern Recreational Tourism in Palau and gave impacts to diversify the traditional diving oriented Palau tourism.

Recently, development of tourism in the Babeldaob Island was started but very slowly, because of the difficult accessibility. However, the development of trekking roads and survey for Compact Road construction disclosed forgotten natural beauty and historic monuments, which have been hidden in the jungle of the island for long time. The water falls, stone monoliths, stone faces, monuments of the Second World War and old phosphate mining places were already taken into tour programs for nature exploration and culture tours. Those tours are considered to be very important tour program for diversification of Palau tourism to expand more marketable general tourism with wider variety of pleasure in future although the diving is main attraction.

Preservation of natural environment, especially marine environment is the supreme task for the sustainable development in Palau Tourism. However, the serious problem for environmental issue is that it is discussed only among the foreigners. Most of general Palauans are not aware of the natural environment conservation. Dumping of garbage,

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cans, car parts and machine oil into the sea are observed everywhere. Therefore, environment education should be the top urgent task for conservation of the precious marine environment in Palau.

Palau is said one of the most attractive diving tourism destinations of the world and attracts many divers. However, there are so many problems to be solved immediately, such as over-concentration of tourists in Koror, high price accommodations, absence of local cultural opportunities, absence of security and rescue system, unreliable insurance service, lack of skill and discipline of Palauan work force. High interest rate of loan and unreasonable concessions, opaque approval of FIB and unfair business partnership prevent to attract favorable investors from overseas. Those are the serious obstacles, which hinder the growth and prosperity of tourism as the national industry.

## **5.2 Tourism Administration**

### **5.2.1 Administrative Organization**

In order to promote tourism in Palau, the Government established PVC (Palau Visitors Commission) in the Ministry of Commerce and Trade in 1972. It was objected to upgrade and accelerate the tourism development and promote Palau Tourism as one of the national income generating industries in the Republic.

In 1982, the PVC was re-organized into PVA (Palau Visitors Authority). The objective of establishment of PVA was to implement the tourism development in compliance with the national economic development policy of the Government. Since the Administration of the President Nakamura was established in 1992, the PVA became the authority, which belonged to office of the president and report to the President directly, although it belonged still to the Ministry of Commerce and Trade.

PVA is composed of the Board of Directors and Managing body. The Board of Directors, which is composed of 7 members, is the supreme decision making element of PVA. The Board is responsible in formulation of tourism development plan and strategy and implement the strategy with national and state level. The Board acts as the steering committee of for implementation of the development project as well. PVA has at present 11 staff in total.

Under the Board of Directors, the Managing Director is responsible in operation and management of PVA and also one of the members of the Board of Directors. Under the Managing Director, there are 4 Divisions, Operation Division, Marketing and Research Division, Public Relation Division and Financial and Accounting Division. Operation Division is responsible in internal programming and operation of PVA. Managing Director of PVA is acting as the chief of the division. Marketing Division is composed of two elements, Research and Marketing. Research element is responsible in compilation and analysis of tourism related statistics and general studies. Marketing element is responsible in formulation of marketing plan and formulation of the marketing development strategy in compliance with the suggestion of the Board of Directors. Public Relation Division is responsible in growth of awareness in Tourism among the Palauan citizens and promotion of Palau Tourism in overseas. Customer service is responsibility of the Public Relation Division. Miss Palau is posted as a staff of the division with one-year engagement. PVA has however no budget for implementation of development nor improvement of the tourism related development projects.

### **5.2.2 Tourism Related Laws and Regulations**

Existing laws for governing tourism are only "Tourism Reorganization Act of 1992" and "Registration Law for Tour Operators" at present. Board of Directors of PVA is

preparing the draft for "Tourism Law" which is expected to enact by the end of 2000. The Tourism Law aimed at definition of roles and responsibility of tourism related organizations such as Office of the President, Ministry of Commerce and Trade, PVA, BOD, and Committees of Senator and Delegate.

### 5.2.3 Financial Background for Administration

The budget of PVA is composed of 65% for promotion and 35% for research and operation. Annual budget of PVA in 2000 is approximately \$1.2 million. Main sources of the budget are 70% of exit tax, which is collected at the airport from passengers on departure. The rest 30% is granted from the national budget of the Government. It is generally understood that the airport tax, which has been collected, is the fund for maintenance and improvement of airport facilities. However, it is much higher than airport tax of Narita Airport, which is said to be highest in the world.

## 5.3 Tourist Market

### 5.3.1 Number of Arrivals and Purpose of visit

Number of visitors and their purpose of visits are shown in Table 5.3.1. The data of arrivals are based on custom clearance documents, which are submitted on the arrival. This is because the immigration card is not requested to the US and Australian military persons and citizens of Micronesia, Guam and CNMI (Commonwealth of Northern Mariana Islands), but the custom document is requested to all the arrivals, and PVA take custom documents for source of database of arrivals.

**Table 5.3.1 Number of Arrivals and Purpose of Visit**

Purpose of Visit		1993	1994	1995	1996	1997	1998	1999
Tourism	Number	32,125	35,030	44,850	58,022	63,601	54,530	47,952
	Share (%)	79.3	79.5	84.3	83.7	86.3	84.9	79.5
Business	Number	1,916	2,548	2,173	2,697	2,840	4,478	3,734
	Share (%)	4.7	5.8	4.1	3.9	3.9	7.0	6.2
Employment	Number	3,194	3,528	2,735	3,347	3,425	3,856	4,437
	Share (%)	7.9	8.0	5.1	4.8	4.6	6.0	7.4
Others	Number	3,262	2,967	3,471	3,215	1,712	747	3,405
	Share (%)	8.1	6.7	6.5	4.6	2.3	1.2	5.6
Seamen	Number	0	0	0	2,049	2,141	583	800
	Share (%)	0	0	0	3.0	2.9	0.9	1.3
Total		40,497	44,073	53,229	69,330	73,719	64,194	60,328

Source: PVA

The above table shows that tourism is the major purpose of the visitors to Palau. When the business visitors are included as weekend tourists, almost 90% of the visitors participate in tourism. One of the potential problems, which are observed from above table, is decrease of income making groups in 1999.

### 5.3.2 Nationalities of arrivals

Major nationalities of arrivals are Japanese, Taiwanese, Americans, Australians and Europeans. There is no detail survey of their country of residence but according to the hearing in the divers shops and tour operators, 60% of Americans and 80% of Europeans are expatriate and military personnel who station in Asia Pacific region, such as in Japan, Vietnam, Thailand, Singapore, Philippines, Guam and Hawaii. However other 40% of Americans visited Palau directly from US mainland. They chose Palau for diving destination by the articles of diving media and recommendation by their diving friends. Arrivals by nationality are shown in Table 5.3.2.

Table 5.3.2 Arrivals to Palau by Nationality

Country of Origin	1993	1994	1995	1996	1997	1998	1999
Japan	18,554	17,493	21,052	22,619	20,507	21,571	24,390
Taiwan	4,171	6,126	11,163	23,310	31,246	18,503	11,732
Korea	888	1,221	1,823	2,074	1,782	545	569
China	N/A	N/A	N/A	1,766	1,447	907	922
Philippines	3,622	3,554	3,199	3,838	3,344	3,033	3,208
Other Asia	2,570	2,768	2,505	978	965	529	537
USA and Canada	7,861	9,700	9,846	9,955	10,481	12,487	6,326
Australia, N. Zealand	558	496	692	1,312	618	579	516
Germany	N/A	N/A	N/A	935	359	623	802
United Kingdom	N/A	N/A	N/A	775	494	450	311
Switzerland	N/A	N/A	N/A	201	137	120	146
Italy	N/A	N/A	N/A	147	173	151	105
Other Europe	1,722	2,207	2,508	812	604	700	176
Others	551	508	441	608	1,562	3,996	10,588
Total	40,497	44,073	53,229	69,330	73,719	64,194	60,328
Growth (%)	-	8.9	20.9	30.2	6.3	-12.9	-6.0

Source: Palau Visitor Authority

In 1994 and 1997, Japanese visitors decreased because of economic recession of Japan and recovered in 1998. On the other hand visit of Taiwanese tourists has sharply increased in 1997, but sharply fallen in 1998 and 1999. It became mostly one third of 1997. According to the analysis of local operator, quality of food, accommodation and services disappointed many Taiwanese tourists, but unfriendly attitude of custom officers and general Palauans accelerated collapse of Taiwanese market. Their reputation of Palau Tourism became unpleasant and informed by mouth-to-mouth advertising among the potential customers of tourist market in Taiwan.

The Record of Chinese and Europeans are shown as "na" until 1997 because of book keeping in PVA.

Sudden decrease of American visitors from 12,487 to 6,326 in 1999 is caused of simply technical reasons of statistics of PVA that the 6,161 arrivals from Guam and Saipan who has been included in Americans and Canadians until 1998 because of status of Guam, CNMI were switched into arrivals of "Others" in above table in 1999.

### 5.3.3 Length of Stay

"Length of stay" has been until now not recorded by PVA, because the statistics is produced with custom documents. However, it is known from tour program of tourists, which are 65% of all the visitors because all of them visit in Palau by prepaid package tour products. Average length of stay differs by nationalities such as:

- 5 to 6 days for Japanese, including 2 travel days (3 to 4 nights);
- 4days group and 5days group for Taiwanese, including 2 travel days (3 and 4 nights); and
- 7days for Americans and 9 to 10 days for European except travel days,

One of the serious threats to increase of length of stay in Palau is the flight schedule of Continental Air Micronesia between Guam and Palau. All the transit passengers of Continental Air Micronesia have to stay in Guam for 4 hours because of poor arrangement of equipment. It is longer than the trip from Japan to Guam, but any services for rest are not provided by the Air Micronesia at all. So the travel from Tokyo takes one full day and the passengers arrive in Palau at night, which is mostly same travel time from Tokyo to Honolulu. Another threat is that many tourists cannot get the seat of flights to Palau in high season, because all the flights between Tokyo and Guam are fully booked by advanced booking of tour operators.

### 5.3.4 Sex and Age Group of Tourists

This survey has not been conducted by PVA until 1998. However, the tourists grouping by sex and age show the unique characteristics as it is shown in the Table 5.3.3.

**Table 5.3.3 Sex and Age Group of the Visitors**

Year	1998			1999		
	Male	Female	Total	Male	Female	Total
0-17	1,554	1,627	3,181	1,828	1,823	3,651
18-29	6,318	11,701	18,019	6,689	9,623	16,312
30-39	9,175	9,707	18,882	6,605	8,554	15,159
40-49	6,650	5,434	12,084	7,961	4,327	12,288
50-59	4,022	3,630	7,652	5,216	2,725	7,941
60-	2,312	2,064	4,376	3,154	1,823	4,977
Total	30,031	34,163	64,194	31,453	28,875	60,328

Source: Palau Visitor Authority

Palau is the popular destination for young female tourists. Female tourist of age group of 18-29 and 30-39 exceeds the number of male tourists. Especially 18-29 group is 1.8 times of male in 1998 and 1.5 times in 1999. It is supposed that young females are more active overseas travelers than males and tour operators emphasized the tropical image of Palau to female market as diving destination. Frequent advertising by media such as diving magazine and television programs promote motivation of customers to visit Palau for diving. The female market between 18 and 39 should be the main target of marketing.

### 5.3.5 Tourist Expenditure and Travel Receipt

#### (1) Tourist expenditure pattern

The latest data regarding the tourist expenditure pattern in Palau were provided by the sample survey conducted in 1994/95 as Pacific Business Center Program. Individual tourists coming on their own arrangement and group tourists using package tour accounted for 31% and 69% of total arrivals, respectively. Tourist expenditure spent in Palau differs among individual tourists and group tourists.

The expenditure pattern of individual tourist was estimated by country of origin as shown in Table 5.3.4. Individual tourists spent \$1,131 per trip per person in Palau on average. The average amount spent per person from every country almost ranged between \$1,100-1,200 per trip, while an amount of daily expenditure varied among nationality. Average expenditure per person is estimated at \$188 per day. However, Taiwanese spent \$283 per day per person, while European spent \$129. As shown in Table 5.3.5, visitors for business, culture and diving activities spent more than others did.

On the other hand, it is complicated to estimate the expenditure of the package-tour visitors. Table 5.3.6 shows the major services and activities included in package tour and they are usually provided to whole sellers at lower prices.

**Table 5.3.4 Expenditure of Individual Tourists in Palau by Country of Origin**

	Japan	USA	Taiwan	Europe	Pacific	Average
Average expenditure per person (\$ per person)	1,098	1,148	1,088	1,104	1,208	1,131
Average length of stay (days)	5.5	7.6	3.8	8.6	9.1	6.0
Average expenditure per day (\$ per day per person)	199	152	283	129	133	188

Source: Pacific Business Center Program 'An Analysis of Tourism Activities in Palau', August 1996

**Table 5.3.5 Expenditure of Individual Tourists in Palau by Purpose of Visit**

	Business	Culture	Diving	Friend	General tourism	Other	Average
Average expenditure per person (\$ per person)	1,399	1,479	1,180	702	808	910	1,131
Average length of stay (days)	9.1	6.1	5.5	7.6	3.9	8.9	6.0
Average expenditure per day (\$ per day per person)	154	243	213	92	209	102	188

Source: Pacific Business Center Program 'An Analysis of Tourism Activities in Palau', August 1996

**Table 5.3.6 Major Services and Activities Included in Package Tour**

Package Content	Percentage
Accommodation	96
Air Transfer	77
Diving	60
Daily Breakfast	27
General Tourism	26

Source: Pacific Business Center Program 'An Analysis of Tourism Activities in Palau', August 1996

(2) Travel receipt in balance of payment

Travel receipt of service account in Balance of Payment in Palau is estimated by IMF as shown in Table 5.3.7 on the basis of data on the number of visitor to Palau and average length of stay. Travel receipt amounted to US Dollar 53 million accounting for 39 % of GDP in 1998/99, which offset a deficit of trade balance. However, in order to provide goods and services for tourism industries, a great deal of the travel receipts has to be paid for imports. Foreign workers in tourism sector also remit some portions of their earnings to their own countries.

**Table 5.3.7 Travel Receipt of Service Account on Balance of Payment in Palau**

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Nominal GDP (\$ thousand)	82,450	100,066	119,501	129,419	129,722	136,208
Trade Balance (% of GDP)	-38	-47	-49	-47	-40	-38
Travel Receipts (\$ thousand)	29,429	40,554	54,213	61,220	58,003	53,476
Share in GDP (%)	36	41	45	47	45	39

Source: IMF Country Report, 1999

## 5.4 Tourism Resources and Attractions

### 5.4.1 Classification of Tourism Resources

(1) Main tourism resources

The main tourism resources are organized in Table 5.4.1. As seen here, it does not contain any places of scenic beauty or historic interest identified as natural tourism resources such as unusually shaped rocks or sandy beaches. There is, however, a cluster of some 200 islands called the Rock Islands, which are valuable as resources for tourism and leave a deep impression on tourists with the varied shapes of each island.

Of course, sightseeing flights and boats depend on these islands for their businesses.

Sightseeing boats increase value-added by showing the tourists around coral atolls and tropical fish observed at diving spots. It is possible to see mantas swimming in the German Channel from sightseeing planes as well as sunken remains of zero planes.

As for adventure tours, Ngatapang Waterfalls, Ngardmau Waterfall on Babeldaob Island, however, Uluang Terraces and Chelechui Terraces have still little value in their present state of exhibition.

Museum displaying the history and culture of Palau are valuable as cultural tourism resources, though ways should be devised to upgrade the exhibits. In addition, Yapese Stone Monkey Quarry is a historical ruin that can give impetus to generating interest in the ancient culture of Micronesia.

There are also many cultural tourism resources such as Ngaraad's Chelab Traditional Village and Ancient Pathway, but problems in access and lack of value in its present state should be addressed.

**Table 5.4.1 List of Main Tourism Sites and Diving Spots (1/2)**

No.	Name	Site	Contents	Remarks
1	Badruichau Stone Monoliths	Ngarchelong State	Ancient ruins Stone monoliths	
2	Ngarchelong Bai		Architectural Structure Meeting house	Presently in use
3	Ngaraad's Chelab Traditional Village Ancient Pathway	Ngaraad State	Historical/Ancient ruins Pathway	Pathway only
4	Ngardmau Waterfalls	Ngardmau State	Natural Waterfalls	
5	Sunken City- Ngibtal	Ngwal State	Historical Village	Sunken Village
6	Ngwal Dock		Historical Dock	
7	Odalmlech Stone Faces	Melekeok State	Ancient ruins Stone faces	
8	Bai Melekeok		Architectural Structure Meeting house	
9	Ngchesar War Canoe	Ngchesar State	Historical War canoe	
10	Imeong Traditional Village Ruins	Ngaremlengui State	Ancient ruins Village	
11	Uluang Terraces		Natural Terraces	
12	Ngatapang Waterfalls	Ngatapang State	Natural Waterfalls	
13	Aimeliik Bai	Aimeliik State	Architectural Structure Meeting house	
14	Chelechui Terraces		Historical Terraces	
15	Malsol's Tomb		Historical Tomb	
16	Airai Bai	Airai State	Architectural Structure Meeting house	Presently In use
17	Belau National Museum	Koror State	Museum	
18	Etipson Memorial Museum		Culture Art/Museum	Newly Open
19	Mother & Child Monolith	Ngermid State	Ancient Ruins Stone Monolith	
20	Palau Mariculture Demonstration Center		Marine Industry	Research & Production

Source: JICA Study Team

**Table 5.4.1 List of Main Tourism Sites and Diving Spots (2/2)**

No.	Name	Site	Contents	Remarks
21	Crocodile Farm		Crocodile Farming	
22	Kampel Taisha Nanyo Shrine	Ngermid	Japanese Shrine	
23	Yapese Stone Money Quarry	Ngerusar	Ancient Ruins Stone Money	
24	Chandelier Cave		Natural Cave	Diving Spot
25	Japanese Zero Plane	Ngerekebesang	WW II Plane	Sunken Plane
★26	Short Drop-off		Diving Spot	
★27	Soft Coral Garden/Natural Arch		Diving Spot	
28	Clam City	Ngermeaus	Historical/Ancient Ruins	
29	Jellyfish Lake		Lake	
★30	German Channel		Diving Spot	
31	Ulong Traditional Village Ruins	Ulong	Ancient Ruins Village	
★32	Siaes Tunnel		Diving Spot	
★33	Shark City		Diving Spot	
★34	Ulong Channel		Diving Spot	
★35	Blue Hole		Diving Spot	
★36	Blue Corner		Diving Spot	
★37	New Drop		Diving Spot	
★38	Big Drop-off		Diving Spot	
★39	Turtle Cave		Diving Spot	
40	President Remeliik Grave Site	Peleliu State	Historical Grave	
41	Japanese Shrine		Historical Shrine	
42	Peleliu Museum		Museum	
43	Camp Beck Dock		WW II Dock	
44	Cannon & Tank		WW II Cannon/Tank	
45	Peleliu Shrine		WW II Shrine	
46	Honeymoon Beach		Natural Beach	
47	Memorial Park/Blow Holes		WW II Memorial Park	
48	Statue of Virgin Mary	Angaur State	Statue	
49	Shinto shrine		Japanese Shrine	
50	U.S. Cemetery		WWII Cemetery	

Source: JICA Study Team

**(2) Registered tourism resources in each state**

It is significant that each state is making efforts to register and preserve historical tourism resources. Their list is indicated in Table 5.4.2, but they are historical and cultural resources, which have been registered as the people's historical legacy for future generations and are not to be regarded as tourism resources. However, as few tourism resources have been identified apart from these, the listed resources can be considered as a standard for tourism resources. As indicated in the table, although each resource is valuable in itself, few are valuable in their present state. In any case, the list is considered to be useful for creating new tourism products for the future.



**Table 5.4.2 List of Historical Registered Sites by State (Tourism spots)**

**Kayangel State**

No	Name	Site	Contents	Remarks
1	Bai ra Ngerbesang	Dilong	Historical meeting house	Presently in use
2	Meduu el Bai	Ngerdilong	Historical Meeting House	Site only
3	Diong er a Orukel	Ngerdilong	Well	Shower only
4	Diong er a Olekang	Ngerdimes	Well	
5	Bai er a Ngerurou	Ngerurou	State office	

**Ngarchelong State**

No	Name	Site	Contents	Remarks
1	Badrulchau	Mengellang	Ancient Ruins Stone monoliths	
2	Euatel er a Ngerbau	Ngerbau		
3	Bai er a Mengellang	Mengellang	Architectural Structure Meeting hose	
4	Beluu er a Ngermetong	Ngermetong	Traditional village	
5	Btelul a Chang er a Ngerbau	Ngrebau		
6	Oreor el Bad	Mengellang	Bad	
7	Tet el Bad	Oilei	Bad	

**Ngaraard State**

No	Name	Site	Contents	Remarks
1	Chelab Traditional Village	Elab	Traditional village	
2	Chetoikechang	Ngkektau	Stone platform	
3	Bai er a Ngaruau me aChelset a Beluu er a Ngebuked	Ngebuked	Traditional village	
4	Ngerchokl	Ngebuked	Pond	For shower
5	Imeduurang	Ngeribkang	Pond	For shower

**Ngardmau State**

No	Name	Site	Contents	Remarks
1	Ikeam el Diong	Urdmang	Forest	
2	Ngerchab Cave	Ngerutoi	Natural/Cave	
3	Olketokel er a Udoud el Bad	Ngerutoi	Platform	
4	Orsachel er a Dub	Ngerutoi	Stone Implement Tools	

**Ngilwal State**

No	Name	Site	Contents	Remarks
1	Beluu er a Ngercheluuuk	Ngercheluuuk	Traditional village	
2	Ngermechau Traditional Village	Ngermechau	Traditional village	

**Ngaremlengul State**

No	Name	Site	Contents	Remarks
1	Beluu er a Uluang	Ngermetengel	Traditional village	
2	Beluu er a Imeungs	Imeong	Traditional village	
3	Diong er a Imeched	Ngerutechei	Shower pond	
4	Uchul a Rebong	Ngerutechei		
5	Bai ra lbangellei	Ngerutechei	Historical meeting house	
6	Olekull er a Ruchel	Ngerutechei	Cemetery	
7	li er a Ngebeseke	Ngeruuchel	Natural/cave	

**Melekeok State**

No	Name	Site	Contents	Remarks
1	Odalmelech	Ngermelech	Historical Stone gods	
2	Meleu el Klechem	Melekeok	Historical Site	Traditional village
3	Did el Bad er a Beriber	Melekeok	Historical Site	Traditional village
4	Ngermecheluch Site	Ngerang	Historical Site	
5	Chelsel a Beluu er a Melekeok	Melekeok	Historical Site	Traditional village

**Ngchesar State**

No	Name	Site	Contents	Remarks
1	Imachel Village	Ngersuul	Traditional village	Presently not in use
2	Ngchesar Village	Ngchesar	Traditional village	Few Inhabitants
3	Oublallang el Buki er a Ngerengesang	Ngchesar	Historical Dock	Presently not in use
4	Etoilechang me a Kils	Ngchesar	Historical Street	Few Inhabitants
5	Beluu er a Ngeruikl	Ngeruikl	Traditional village	

**Ngatpang States**

No	Name	Site	Contents	Remarks
1	Ngerebadelmangel	Ngatpang		
2	Ngimis traditional Village	Ngimis	Traditional village	
3	Ngersois	Ngerdubech	Historical Habitation site	
4	Ngerdubech Traditional Village	Ngerdubech	Traditional village	
5	Ngermekii Terrace	Ngimis	Terrace	
6	Ngerumlol Traditional village	Ngatpang	Traditional village	
7	Beluu er a Ngermedangeb	Ngermedangeb	Traditional village	

**Almeliik State**

No	Name	Site	Contents	Remarks
1	Malsof's Tomb	Chelechui	Historical Tomb	
2	Eldenir a Ruchub	Ngchemiangel	Rock	
3	Beluu er a Ngchemiangel	Ngchemiangel	Traditional village	
4	Oublallang er a Ngerketalk	Ngebedech	Ngchemiangel Terraces	
5	Oublallang er a Ngebedech	Ngebedech	Ngchemiangel Terraces	
6	Ngerkeai Traditional Village	Ngerkeai	Traditional village	Few Inhabitants
7	Beluu er a Lmuut	Ngchemiangel	Traditional village	
8	Beluu er a Elechui	Elechui	Traditional village	Few inhabitants

**Airai State**

No	Name	Site	Contents	Remarks
1	Airai Bai	Irrai	Architectural Structure Meeting house	Presently in use
2	Maik er Besk	Oikull	Terraces	View point
3	Ngerullak Traditional Village	Ngerullak	Historical Village	Site only
4	Chades er a Mechorei	Irrai	Historical Stone pathway	Presently not in use
5	Beluu er a Ngeruluobel	Ngeruluobel	Traditional Village	Few inhabitants
6	Li er Beriber me a Emaredong	Oikull	Historical site	

**Koror State**

No	Name	Site	Contents	Remarks
1	Rois Remdiu	Ngerktabel	Terraces	
2	Japanese Shinto Shrine	Ngermid	Historical shrine	
3	Mother and Child Monolith	Ngermid	Ancient Ruin Stone face	
4	Hikojo er Ngerdis	Ngerkebesang	Japanese sea plane ramp	
5	Beluu er a Rois	Ngemelis Is, Group	Traditional village	
6	Uchul a Rois Cave	Ngemelis Is, Group	Cave	
7	Beluu er a Ulong	Ulong rock Is,	Traditional village	
8	Pictograph Cave	Ulong rock Is,	Ancient pictograph/cave	
9	Mariar	Mariar Is	Rock island	
10	Metukerukull Village	Metukerukull Is.	Traditional village	
11	Oublallang er a Roskebesang	Ngerkebesang	Ngerkebesang /Terraces	
12	Ngeterur Well	Ngerbeched	Historical well	
13	Bekeurebodel	Ngerbodel	Traditional village	
14	Odesongel er a Ngekeliit	Ngerielb	Stone platform	
15	Metuker ra Bisech	Ngerusar	Yap stone money	
16	Pillbox	Ngemelachel	Concrete banker	
17	Kingellel a Bilung	Roismelachel	Bad	
18	Tekeok-imid	Ngermid	Stone face	

## Peleliu State

No	Name	Site	Contents	Remarks
1	Taoch era Ngebungel	Ngesias	Channel	
2	Il era Irur	Irur	Natural /Cave	
3	Bellio Shell Midden	Ngerdelok	Bai	Meeting house
4	Chol Traditional Village	Ngerchol	Traditional village	
5	Ngetengchau Traditional Village	Ngerdelok	Traditional village	

## Angaur State

No	Name	Site	Contents	Remarks
1	Melech Site WW II	Ngebeanged	Battle site of WW II	
2	Ngelong	Rois	Traditional village	
3	Olsechall era Ruchel	Ngebeanged	Ruchel platform	Traditional village
4	Olekuil	Ngermasech	German cemetery	

## Sonsorol States

No	Name	Site	Contents	Remarks
1	Ringal	Pulo Anna		

## Hatohobel State

No	Name	Site	Contents	Remarks
1	Iponu	Hatohobel		
2	Ferehuhuh	Hatohobel	Diangel	
3	Bonuyong	Hatohobel	Man-made cave	
4	Matahong	Hatohobel	Japanese living Quarters	

Source: JICA Study Team

In particular, they are certain to become tourism resources indispensable for realizing a new type of tourism development centering on local communities, or hamlets. It is highly possible to increase their value as tourism resources by compounding them and cultural or natural resources with little value individually as tourism resources.

This is called Village Tourism and there are great expectations for this new form in Palau's tourism.

#### 5.4.2 Evaluation of Tourism Resources

##### (1) General evaluation of tourism resources

Evaluation is classified into evaluating the absolute value of the tourism resource itself and relative evaluation taking into account the time span until the present state of development and the status of development of infrastructure and tourist facilities. However, the absolute value of each tourism resource of Palau is small, apart from the marine resources. The general method of evaluation is not applicable in the case of Palau, as the cluster of islands are natural resources, which are unusual among the neighboring countries and are given high points as tourism resources. In other words, it is not appropriate to give individual evaluation points for each tourism resource.

##### (2) Synergistic effects of natural tourism resources and diving

The overall scenery of the islands called Rock Islands and the varied scenery of each

island fits into the image of the South Seas and leaves a deep impression on tourists. However, the surface of the area is not expansive, as it takes only 20 minutes to view the scenery to a certain extent by plane and 2 hours to sufficiently enjoy the view by boat.

On the other hand, Rock Islands is famous as one of the four great diving spots in the world rivaling the Great Barrier Reef in Australia, the Caribbean and Red Sea. Diving is an important factor for sustaining tourism in Palau, and Rock Islands takes on even more value in this respect.

In addition to the multitude of beautiful corals and tropical fish including native species that inhabit the diving spots, it is blessed with crystal clear waters. It can be said this region can enhance its value by the synergistic effect of diving. This is an advantage over its competitors, Guam and Saipan, and to reinforce this, development of access, both internationally and domestically, and tourist facilities should be implemented.

(3) Cultural tourism resources and village tourism

There are few cultural tourism resources that possess absolute value. However, it is highly possible to use these resources in association with regional development in developing tourism. This is Village Tourism, which involves the participation of the local communities. It basically includes exchange with the local residents at the village-huts and guesthouses, and touches the local history, traditional culture and nature exploration tours using the surrounding natural environment. In order to create such tourism products, cultural properties are essential. In addition, it will contribute to revitalizing traditional cultures and skills, and in turn be useful in enhancing national identity.

As native species of wild animals and plants exist on Babeldaob Island, village tourism is the most harmonious tourism activities. By combining village tourism using the cultural and natural resources of the villages and involving the local residents, it is expected to create new tourism products and attract new markets of tourists.

(4) Utilization of tourism resources and tourist facilities

Tourism development will be an engine of the economic development of Palau and the most important efforts should be made for increasing incoming tourists.

Consideration should be given to the environmental carrying capacity of tourism resources for the sustainable development of the resources. Environmental degradation has already been identified, and the first step is to decentralize the tourists. In order to achieve the goal of the first step, development of new diving spots and village tourism facilities are essential to implement the decentralization of the tourists and divers from present concentrated Peleliu area to Northern area.

Furthermore, new tourist clientele should be created from tourists of the diving segment, which are not only young people. It is the urgent task to examine the environmental impacts and take necessary measures to decrease the impact in specific regions. Therefore development of the Village Tourism should be basic measure to ensure the environmental conservation.

**5.5 Tour Activities**

Major possible tour activities in Palau Tourism are diving, marine sports, nature exploration and historic and cultural excursion. All the tour products in Palau are composed of the combination of following 4 activity elements.

### **5.5.1 Diving Tourism**

Diving is at present the main attraction of Palau Tourism and 80% of tourists visit Palau for diving. The diving tours are booked in home country and operated by local diving tour operators. The main diving spots are Rock Islands area and southern part of the lagoon. Some tours visit to the diving spots in the northern area where it is shown in the Chapter En. The divers go to those diving spots by one-hour boat trip and enjoy 2-3 dives a day. Most of the local diving operators are owned by Palauans but managed by Japanese and Americans.

### **5.5.2 Marine Recreation**

Palau is a small islands surrounded by the sea, so the marine recreation is the most popular tourism activity among non-diver tourists. Since, PPR was opened in Palau, various water recreation equipment, such as snorkeling, Sea Kayaking, surf biking and pedal boating, were introduced into Palau. According to visit of Taiwanese tourists in 1993, marine recreation activity became a part of major attraction of Palau Tourism. Nowadays the marine recreation is widely accepted by many tour operators and undertaken in Palau. Sport fishing is also a popular tourism product of marine sports in Palau.

### **5.5.3 Nature Exploration Tourism**

Natural scenery view of ocean and untouched nature of Babeldaob Island are main resources for nature tourism. Rock Island Tour, semi-submarine tour, dinner cruising, sailing, jungle tour and visiting waterfalls are the typical nature tour programs. The customers are at present elder non-diver tourists and divers, who have to discharge nitrogen contents in blood before taking flights for return to home countries. Many nature tourists are interested in species of fauna and flora in Palau, too. However, there are no nature tour products, which are accompanied by experts of natural science who can satisfy scientific interests of the nature tourists in Palau.

### **5.5.4 Historic and Culture Excursion Tourism**

Remains of pre-historic age, Japanese era and the Second World War are the cultural and historic tourism resources in Palau. Many of them were uncovered by the land survey for compact roads construction. It is supposed that other monuments may be still left in jungle. The Bureau of Arts and Culture of Ministry of Community and Cultural Affairs completed the inventory and published small pamphlet for explanation about existing monuments. However, they are not provided to PVA and tourists for information for those monuments. Most of visitors to the war memorials are only few historians and families of fallen soldiers. Those war memorials and archaeological monuments are not yet composed into the historic and culture general tour program.

## **5.6 Tourism Related Facilities**

### **5.6.1 Accommodation**

Registration of hotel is one of the responsibilities of PVA. It is not the permission but all the hotels, inns and boarding houses have to be registered to PVA. According to the record of registration, there are 44 hotels, 1049 rooms in whole Palau, 965 rooms in 31 hotels in Koror and 84 rooms in 13 hotels outside as of May 1999. The number of rooms increased to 1049 in 1999, nearly two times comparing to 577 in 1993. Major Hotels in Palau are shown in the Table 5.6.1, which cater 80% of foreign visitors.

**Table 5.6.1 Major Hotels In Koror and Ailrai**

Name of hotels	Location	*Class	No. of rooms	Average Occupancy Rate (%) in 1999	Room Rate
Palau Pacific Resort	Koror	****	160	65.0	\$250
Hotel Nikko Palau	Koror	***	51	57.8	\$150
Palaisia Hotel	Koror	***	165	32.0	\$140
Ailrai View Hotel	Ailrai	***	91	Renovating	N/A
Malakal Central Hotel	Koror	**	18	60.0	\$100
West Plaza Hotel Group	Koror	**	117	30.0	\$70

Source: JICA Study Team

Note: \* Set by JICA Study Team

There are at present 965 rooms in Koror and Babeldaob. But the hotel business is still considered as good business and application of 3,800 rooms is being submitted to FIB for approval of business permit.

One of the obstacles for tour operators to promote their tour products is high price standard of the hotel room rate in Koror in terms of competition with other destinations. The high price of the hotel caused of high land lease cost and import of all the construction material, equipment, installation, furniture, soft furniture, food stuff and drinks from abroad. Transportation costs, custom duties and other relating costs are added onto the building costs and operation of the hotels as well. The room rates are set by only decisions of owners of the hotels, because at present there are neither classification system nor standard of hotels. The room rates of few modern resort hotels, which were set without competition, pushed up the rates of other ordinary hotels in Palau. Therefore, the room rate does not express quality of facilities or service standards of the hotels. High interest rate of bank loan, 18% per year, is also a cause of high construction costs. All of those costs are reflected to the prices of hotel rate and prevent formulation of competitive tour products in the world market.

The comparison of hotel prices in Palau, Guam, and Saipan are shown in Table 5.6.2.

**Table 5.6.2 Comparison of Hotel Prices In Palau, Guam and Saipan**

Rank	Palau		Guam		Saipan	
	Hotels	Price	Hotels	Price	Hotels	Price
****	N/A	N/A	Outrigger Hyatt Regency Guam H. Okura Hotel Nikko Guam Hilton Guam	\$250 \$290 \$260 \$270 \$235	Hyatt Regency Hotel Nikko Saipan Aqua resort	\$280 \$240 \$240
****	Palau Pacific Resort	\$ 250	Hotel Okura Reef Hotel Fujita	\$220 \$200 \$180	Saipan Grand Saipan Daiichi Hafadal Beach	\$180 \$170 \$170
***	Hotel Nikko Palau Palaisia Hotel	\$ 150 \$ 140	Guam Daiichi PIC Guam Sotetsu Tropicana	\$140 \$140 \$150	PIC Saipan Mariana Resort	\$150 \$140

Source: JICA Study team

The room rates of hotels in Palau are higher than hotels in Guam and Saipan. The prices of three stars hotels look mostly same the price of three stars classed hotels in Palau (classified by the Study team), however, facilities and quality of service of the hotels in Guam and Saipan are much higher than those in Palau. For example, shopping arcade, 24 hours coffee shop, entertainment live music and 24 hours room services do not exist in hotels in Palau.

(1) Restaurant and bars

Registration of restaurants and bars is under responsibility of the state government. In Koror, there are 65 registered restaurants, 11 Japanese, 10 Chinese and 4 Korean, 9 other foreign and 31 Americans/Palauans. However choice of the foods and

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restaurants are very limited. According to influence during Japanese administration period, many restaurants serve some kinds of Japanese foods, such as sashimi, teriyaki, nitsuke, tempura, which are already taken into daily Palauan dining habit and popular for local customers. Some restaurants serve traditional Palauan food but very few, therefore, it is very difficult for tourists to taste traditional Palauan foods and touch local culture. There are 18 Karaoke bars and snack bars in Koror.

(2) Souvenir shops

Registration of Souvenir shops is also under responsibility of the Koror State. There are 12 souvenir shops in Koror City. But the souvenir goods sold in those shops are mostly same and limited choice to purchase. Major souvenir goods are storyboards, woven bags from palm frond, T-shirts with Palauan print, handicrafts made of shells, coral stone and coconut shells. Some of them are produced in Palau by the senior citizens, but most of them are produced in Hawaii, Guam, USA and Japan. They were imported to Palau because Palau has few skilled craftsmen for handicraft production. There is a fruit cookies produced in Hiroshima under suggestion of Palauan client.

Storyboard is especially unique and typical handicraft of Palau. Tourists can purchase it only in Palau. However, curving skill is recently degrading remarkably and it is difficult to find the worthy masterpieces for art lovers. In order to success the skills of traditional handicraft and arts, especially, upgrading of curving skills should be immediately started.

(3) Banks

There are 12 banks in Koror, 8 foreign banks and 4 Palauan Banks. According to the constitute of Palau, rending of loans is not allowed to foreign banks so that they are undertaking mainly credit for cars and movable properties and international remittance and exchange services for tourists, tour operators and agencies and foreign restaurants.

## 5.7 Tourism related Infrastructure

### 5.7.1 Taxis

There are 86 Taxi cab in Koror and utilized as the daily short ranged transportation in the city area. Some of them provide guide service for city tour by the request of tourists. However the drivers can only take tourists to the sight seeing points in the city such as museum and gift shops, but they are not capable to present history and traditional culture to the tourists. At present the price for charter is \$20 per hour. The serious problems for the taxi companies are the decrease of customer caused of increase of private cars and small buses of tour operators. Intoxicated driving is also serious problem for safety for tourists. Many tourists and foreign residents complaint that the most of taxis are dangerous especially for female customers by alone at night.

### 5.7.2 Speedboats

Speedboats are the most important transportation mode for Palau Tourism. At present 1,300 speedboats are registered to Koror State and 30 boats of them are registered as tourism boats and owned by the tour operators and diving shops which are used for transportation of tourists and divers. Therefore most of tour operators have to hire private boats during the high season. Those private boats are not according to safety regulations. They have no safety devices such as hand railing, life jacket and floatation buoy for emergency that the tourists are taking those cruise by their own risk in Palau.

There is no frequent public sight seeing boats for individual tourist so that the tourists



have to buy the packaged sight seeing tours for Rock Islands sight seeing which include snorkeling and picnic.

### **5.7.3 Airport terminal building**

Airai Airport is the only one gateway of the tourists in Palau and all of the tourists arrive and depart from Airai airport. The terminal building was built in 1986, but according to increase of visitors, function of the building became insufficient for efficient handling of 60,000 international travelers.

Arrangement of car parking of the airport is also chaos. There is no separation for tourist buses and private cars so that the tour operators have serious difficulties to provide efficient pick up services for the arrived customers. The project of new terminal building has been prepared in 1999 and the Government of Palau expects to build it by the grant assistance project of Japanese Government.

### **5.7.4 Telecommunication Service: Telephone, Internet, Post**

Telecommunication system is at present well-established in whole Palau. It was granted by the assistance of US Government in 1999. Domestic telephone call is totally free of charge. Only international call is charged and became main income source of PNCC (Palau National Communication Corporation) until now. This is the reason why the international call is still so expensive and many customers hesitate to use international calls by PNCC. This high price is directly reflected to the management costs for tour operation and finally added onto the tour prices of Palau Tourism products in the world tourist market.

The "Palaunet" is at present only one Internet provider in Palau. Most of the international tour operators are users of the provider because Internet is much more economical than the international telephone calls and easier to use. There are at present 1000 users registered in whole Palau.

### **5.7.5 Electric power**

Electric supply is, at present, mostly sufficient for tourism industry, although there are sometimes power cut during daytime. However, it is foreseen that power demand will be increased rapidly in accordance with the increase of air conditioners and development of new hotels such as existing 450 rooms resort hotel projects in Koror.

### **5.7.6 Water Supply and Sewerage management**

Water supply is at present sufficient in Koror except some period in dry season.

Rehabilitation of existing treatment plant and expansion project was given to tendering by Koror State in April 2000. It is at present waiting for final decision. It is expected to complete by 2002 in order to treat the sewer from all the hotels in Koror, including new hotels.

## **5.8 Tourism Industry and Products**

### **5.8.1 Tour operators, Divers shops and Agencies**

According to the registration of tour operators to PVA, there are 43 tour operators and agencies and providing tourist services for airport transfer, guiding for diving tours, fishing, nature exploration tours, recreational tours and other optional tours such as visit to war remains. Among them, 17 operators are focused on diving tours. At present 3 other companies are under process for new registration for operators.

In Palau, diving and general tourism have been developed by the foreign tour operators

and promoted by airlines and foreign diving travel magazines in Japan and the United States. And their appropriate and punctual tour services are appreciated by the tourists. Their punctual services were also secured safety of marine sports, although some accidents have happened in the long history. Tour services for Taiwanese tourists are provided by exclusively by Taiwanese and Chinese tour operators until now, because of the language barrier for Palauans.

The characteristic feature of tourism in Palau was that the most of Palauans did not participate in tourist business by themselves, but only to collected easy incomes from concessions, such as lease of title name of company and land. Their traditional attitude to make a dodge from hard job and contempt to service business to be low status jobs prevent participation in tourism. However, according to manpower survey of tourism sector by PVA reveals that the participation rate of Palauans in tourism industry raised to 53% in 1999.

Samples of the above survey include 14 dive shops, 17 operators and 4 liveaboards were selected for samples. Total number of samples was 115 as it is shown in the Table 5.8.1 and number of generated employment is shown in the Table 5.8.2.

**Table 5.8.1 Number of Sampled Establishments (1999)**

Airlines (Continental Micronesia, Far Eastern Airlines and Japan Airlines)	2
Transportation (Car rental, Busses, Taxi)	12
Dive shop	14
Tour Operator	17
Hotels, Motel, and Inns	24
Liveaboard	4
Restaurant	27
Gift shop/Souvenir shop	15
Others (Beauty Parlour and Hotel construction)	3
Total Number of Sampled Establishment	115

Source: Manpower survey by PVA

**Table 5.8.2 Employment by the Establishments (1999)**

Establishment	Employment	Share (%)
Airlines	23	1.5
Transportation	99	6.6
Dive shops	147	9.8
Tour operators	115	7.6
Hotels, Motels and Inns	670	44.3
Liveaboard	45	3.0
Restaurant	321	21.2
Gift/Souvenir Shop	77	5.1
Others	14	0.9
Total Number of Employment	1,511	100

Source: Manpower survey by PVA

According to the above statistics, hotels and restaurants are the biggest employer of Palauans and employ 65.5% of employees. The tour operators and dive shops employ 17.4%, following to the Hotels and restaurants. However, management of Hotels and tour operators are the foreign specialists from Japan, Taiwan and Americans, so that the foreign specialists support the Palau Tourism. Lack of foreign language capabilities and professional expertise of Palauans work force keep the participation rate in tourism sector to be 53.0%.

For example, all of the Taiwanese tourists are still taken care by only Taiwanese tour operators because there is no Palauans who intend to learned Chinese or Taiwanese for tourism business even the Taiwanese tourist shared mostly 40% of all of incoming tourists in 1993, seven years ago.

### 5.8.2 Tour programs and Product design

Since Palau has been the destination of diving tourism especially for senior skilled divers, diving tours are still main tour products of Palau Tourism. However, Palau Tourism is getting change by the various demands of divers and non-divers. Especially, demands for Taiwanese tourists opened the new door of tourism and introduced recreational tourist activities into Palau, such as marine leisure and beachfront recreation. At the same time many tour operators introduced various marine leisure activities such as kayaking, Rock Island sight seeing, cruising and trekking to waterfalls. The tour products of each operator are similar components of tour programs because of insufficient experience of operators for new tour activities other than diving tours.

The tour products in Palau are composed of the following attractions;

#### (1) Diving tour products

As it was written many times, Diving is still main tour program of Palau tourism. However, most of destination of diving tours is southern part of Rock Islands and around Peleliu Island, such as Blue Corner, Peleliu Corner and German Channel. There are many diving groups arrive in diving spots in the proximate area at the same time so that the diving spots are congested by the divers and boats. It is harmful for under water environment and dangerous for the divers as well. So the divers have to wait sometimes on the boats until the other groups comes out from diving.

The concentration of divers comes from following reasons:

- Diving spots in other area are not yet developed and diving shops take divers to spots where it is already known in order to avoid the disappointment of customers. Entry fee is taken by each State. If the divers move to spots in other states, they have to pay another \$15, so that the divers shops do not want to move to other states. Most of divers want to issue the common entry ticket for whole nation by the central government; even it is \$30 per person.
- Accumulation of facilities, such as diving shops, catering shops for lunch and hotels exist almost in Koror, and all the divers stay in Koror and start their diving tours from Koror. Accordingly the divers cannot select the remote diving area such as Kayangel where it takes 3 hours for one-way trip from Koror. It takes 6 hours for round trip.

#### (2) Recreational tour products

Since PPR was opened in Koror, the recreational activities were introduced to Palau. It was at that time really epoch making event and opened eyes of other tour operators. However, the recreational tours did not become main tour products of Palau Tourism, because Palau was known only among the divers market but recreational tourism was known just recently. The recreation tourism became popular in Palau since 1993 when the tourism of Taiwanese started. The Taiwanese tourists were non-divers. A half of them are not swimmers, so that the beach recreation and snorkeling with life jacket became major activity for Taiwanese. In these regards, Taiwanese tourists introduced new type of tourism into Palau and contributed for starting diversification of the tourism. Their main recreational tour products are;

#### (3) Rock Island sight seeing tours

There are some various programs for Rock Island tours. Some of them use semi submarine boats and show the coral and fish to tourists. Other tours programs focused on snorkeling. But there is no frequent public sight seeing boats at present so that the tourists have to buy the group tour packages. Presently it has been sufficient for Palau

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Tourism because almost of the Japanese and Taiwanese tourists have been packaged group tourists. However once FIT (Free Individual Tourists) increased in Palau Tourism, frequent sight seeing boats should be operated.

(4) Marine water recreation

Sea bottom walking, parasailing, banana boat, surfbike, ski biscuit, jet ski, water wheeler and kayak have been introduced in 1994. They are nowadays-popular recreational programs for non-diver tourists and weekend pleasure for expatriate local residents.

(5) Cruising and sailing

Cruise tour products are composed of several different tour programs. They are "On Day Cruise", "Half Day Cruise", "Sunset cruise" and "Recreational Cruise" which include snorkeling and barbecue on the way and "Dinner Cruise" includes dinner and free drinks. Most of the cruise programs are for enjoying the cruising in calm lagoon water area and looking at beautiful natural scenery of the sea and Rock Islands. Sunset cruise also includes drinks on the ship and looking at the tropical sunset.

Those cruising tours are popular program for non-diver tourists, especially, for the higher aged and high-end tourist groups. The tour prices vary approximately \$80-100 for whole day and \$40 for half-day tour programs. They are also popular tour programs for Taiwanese honeymooners.

(6) Sport fishing

Fishing tour products are composed of the different fishing, such as whole day bottom fishing, half-day bottom fishing and trolling. All the fishing tour costs include \$10.00 "Fishing License Fee" which is taken by the States. It is valid for 1 month. The fishing tour costs \$100 per person including lunch and fishing license and \$600 for one day trolling including boat charter, lunch, fishing license and guides.

(7) Nature tour products

Nature tour products are to explore the natural attractions of Palau. They are relatively new products started for non-diving tour operators since 1993. The nature tour products are composed of land oriented tour programs and visit waterfalls and jungle trekking. Another possible nature tours in Palau are to explore unique species of fauna and flora in Babeldaob Island, such as some kinds of birds and plants, which are observed only in Micronesia. However there is nobody who can guide and provide explanation to satisfy scientific interests of the tourists. This is the most serious problem for development of Eco-Tourism products. However, nobody is conscious of this problem in Palau.

For example, tour program to Ngardmau Water Fall is the most popular and marketable tour of nature tour products. The customers are non-divers and divers who adjust their nitrogen contents in blood after diving. Tourists are all happy to trek in jungle, river and in the waterfall. It is very much appreciated tour program. The tour takes 7 hours and the costs approximately around \$90 per person.

(8) Historic and cultural tour products

Historic and culture tour products are very seldom at present. There are only tailored optional tours so that the tourists have to arrange themselves and pay high individual costs for boat charter and for hire of guides who cannot explain about monuments except their material. The reasons are:

- History of Palau is not generally known. There are some information and folk

storybooks published by the Ministry of Community and Cultural Affairs. But they are not distributed to PVA nor tour operators.

- Many Palauans do not know their own history of culture.
- Most of Palauans are not interested in conservation of own historic remains until recent, such as rock paintings, war wrecks, stone faces and monoliths.
- Exhibition of the National Museum is too poor to inform Palauan life and culture to the visitors.

The only one cultural event which every tourist can touch small part of Palauan local culture is a dance show performed in Hotel Nikko Palau and Palau Pacific Resort Hotel. Only 7 part time dancers perform them; most of them are high school students, who are supported by the enthusiasm of a lady. No other support is granted by anybody except those hotels. It is attractive but really fragile cultural events.

A tour for visiting "rock painting" in the cave of the Rock Islands is being operated only on the occasion when some tourists groups, who do not care to pay the expensive costs, want to do it. It is not yet formulated into public tour product market but being undertaken by individual base.

The most serious threats of those products are absence of guide who can present the nature and history enough to satisfy cultural and archaeological interests of visitors.

### **5.8.3 Guide and Instructors**

In Palau, registration of tour operators is responsibility of PVA, however there is no qualification nor licensing system for guides. There is no professional guide in Palau. Most of guides are non-professional part timers, such as the staff of diving shops and tour operators. There is no professional association of guides so that the list of guides does not exist and the number of guides is not known. Most of guides are foreigners who are residents in Palau for long time, however they are not experts of fauna and flora. Some Palauans who can speak Japanese are working as assistant guides.

### **5.8.4 Equipment, Maintenance and Technical Standard**

The most serious problems of tourism related skills in Palau are maintenance of boats and engine. Many tour operators complaint the lack of appropriate preventive maintenance system and improper repair caused of insufficient knowledge of boat operators. Serious repair is undertaken by foreign technicians from Philippines and JOCV (Japan Overseas Cooperation Volunteer) members. There is a training course for boat engineering course in PCC.

## **5.9 Strength, Weakness, Opportunities and Threatens of Palau Tourism**

### **5.9.1 Strength**

- Name of Palau as a diving destination is widely known among the Japanese and American divers who experienced in many other famous diving spots in the world. Transparent water, concentrated population of fish and marine creature the top attractions for divers. The diving in Palau is reported in 3 major diving magazines in Japan every month. Nowadays the Japanese divers share 30% of all the visitors to Palau.
- Short distance from Japan is very important factor for Japanese tourists to select Palau for diving tour destination. Charter based direct flights of Japan Airlines emphasizes the familiarity of Palau as the short distanced diving island in the market in Japan. There is no time difference from Japan, which is good for divers to keep good physical conditions.

- Taiwanese tour operators also regard Palau as a marketable destination with calm natural scenic beauty. Recent diplomatic tie between Taiwan and Palau is expected to increase tourist visits to Palau again and contribute to economic development of Palau.
- During the previous marketing in Germany in 1997, PVA received good response from German and Swiss tour operators who were looking for new tourism products. At the same time, Palau is getting well known as a new SIT (Special Interest Tourists) destination among the tour operators in both countries.
- Many Palauans people speak English and some Japanese.

### 5.9.2 Weakness

- Since Palau Tourism has been too much depend on foreign tour operators and experts, accumulation of business and management knowledge for tourism services are insufficient for undertaking appropriate tourism services without assistance of foreigners.
- Tourism attractions for non-diver recreational tourists are still very limited. There are only 5 Beaches in Koror area, of which one is private, other two is detached islands, another one is used for mooring of speed boat. Only one beach is being opened for public in Malakal. There is no frequent sight seeing boats nor transport to the detached beaches so that the recreational tourists have little chance to go to beaches in Rock Islands with individual tours.
- Foreign workers are not protected by laws and regulations, so that the skilled foreign workers do not stay in Palau for enough long to transfer their skills and knowledge sufficiently to Palauans.
- The Palauan youth regard service industry to be a low status hard servant job, so that they do not want to join to tourism business. In 1999, PVA promoted "Tourism Awareness Week" but promotion of participation of Palauans and the participation rate is remaining 53 % in 1999.
- High costs of airfare, accommodation and restaurants comparing to their quality are finally reflected to tour costs and prevent operator to formulate price competitive tour products in the market of home countries.

### 5.9.3 Opportunities

- Diversification of tourism attraction is the urgent task for Palau Tourism, but going slowly. Since Palau became one of the destinations of Taiwanese tourists, the doors of new tourism were opened by Taiwanese tourism and many kinds of new recreational tourism style and equipment were introduced for non-divers tourists in Palau.
- According to recent increase of non-diver tourists, some tour operators started to design new soft adventure tour products. For example, the first triathlon race held in Palau in 1999 attracted many foreign and Palauan audience. At present, design of 3 days Kayak tour, from Peleliu to Koror, is under study for adventure tourism product. Those diversifications create wide range of the tourist target in market.
- For the tourists who want to touch local history and culture. Palau has historical remains of Second World War, and cultural monuments such as Abai, stone face and stone monoliths. They are potential tourism resources for non-diver general tourists. If they are fairly exhibited to tourists and their own cultural performance is presented to tourists at those monuments, Palau Tourism will become more attractive and expand the tourist market. Present study for tourism development cooperation with Yap and Palau will be good initiatives for

the combination of complementary attractions for Palau Tourism.

#### 5.9.4 Threatens

- Poor IQC (Immigration, Quarantine and Customs) staffs give bad first impression of country and people of Palau to the arrived tourists. It is far from the attitude of that of tourism-oriented country. They do not know that the tourists bring profit to Palau. Slow proceeding of passport control without any welcome attitude irritate arrived tourists. According to the testimony of female tourists, some custom officers are so much interested in the articles of female tourists such as ladies underwear. Those officers are not conscious that their unbelievable behavior at the airport is building bad judgment of country and people of Palau.
- Insufficient opportunities for non-diver general tourism are the most serious threats for future for Palau Tourism. As it was mentioned above, Palau has already established the name of diving island, although number of divers in the world is anyway limited. Therefore, it is essential to attract the bigger general tourism market in order to increase total visitors to Palau. However, activities and tour products for non-diver general tourists are very limited in Palau.
- Absence of cultural opportunities, attractive shops and good restaurants and free choice of food, free sight seeing possibility is really disappointing non-diver tourists. Many of them revealed that there was nothing to enjoy tropical island and did not feel any welcome atmosphere nor charming landscape in Koror and it was really tiring to go out from everyday by boat, especially for tourists of higher generation, who are high end tourists.
- Quality of accommodation, food and service are not harmonized with the price level in Palau. PVA wants to receive high income and high-end tourists to Palau. However incomes from high-end tourists are generated only by the excellent services, which are provided by five stars hotel in the world, such as Oriental Hotel in Bangkok. Present tourist service level in Palau is still far lower than the international five stars level. Discrepancy of price level and quality will certainly disappoint the high income and high-end general tourists who are the most expected by PVA.
- Bad connection of Flights to Palau is also threat for Palau Tourism. All the passengers arrived in Guam by Continental Air Micronesia have to wait for a connecting flight to Palau for 4 hours and arrive in Palau at night. Thus the tourists do not feel Palau as a near destination. They loose mostly half day of vacation only for transit. It is mostly same time distance from Narita to Honolulu. Sometimes the flights from Tokyo to Guam are fully booked in high season and the tourists cannot arrive in Palau even the flight between Guam and Palau is empty. Expensive airfare of Continental Air Micronesia is also the critical threat for tour operators to formulate competitive tour products in the market countries.

#### 5.10 Tourism Marketing and Promotion

##### 5.10.1 Responsibility of PVA, Airlines, State.

Marketing and promotion are main duty of PVA. PVA is carrying out marketing and promotion through trade show, familiarization tours for operators, sales mission and publication. Recently PVA intend to open the home page in web site because it is nowadays the easiest and economical marketing tool.

PVA has at present six overseas promotion offices and carry out marketing activities. Most of promotion offices are established in the embassies because of limited budget.

Overseas promotion office is opened in USA, Hawaii, Germany, Taipei Philippines and Hong Kong. At present PVA is preparing for opening an office in Tokyo.

### 5.10.2 Cooperation of Private Sector in Marketing and Promotion.

Private sector is participating in promotion of Palau Tourism as well. BTA (Belau Tourism Association) is an association of private tour operators, divers shop and hotels in Palau. PVA is also a member of BTA and supporting promotion activities of the private sector. BTA provides data and information of tour business such as tour products, photos and prices of tours to PVA for formulation of marketing strategy. In addition, Continental Air Micronesia has been participating in marketing and promotion by producing advertise posters and tour brochures since 15 years.

### 5.10.3 Participation in International Marketing Opportunities.

In order to advertise Palau Tourism in the international tourism market, PVA is actively participating in international tourism marketing opportunities. PVA is a member of PATA and DEMA (Diving Equipment Marketing Association). Until now, PVA has participated in exposition of travel show in Tokyo and Berlin. Other than those promotion activities, PVA held exhibition of Palau Tourism in USA, Hawaii, Taipei and Manila.

In 1999, PVA spent \$428,465.00 for marketing in total. The budget of PVA in 1998 for market in major destination countries is shown in Table 5.10.1.

**Table 5.10.1 Marketing Expenses In 1998/99**

Market Countries	Market Trade	Market Administration	Total
Japan Market	\$71,253.00	\$70,800.00	\$142,053.00
Taiwan Market	\$34,157.00	\$115,000.00	\$149,157.00
North America Market	\$37,395.00	\$32,860.00	\$70,255.00
Europe Market	\$37,000.00	\$30,000.00	\$67,000.00
Total	\$179,805.00	\$248,660.00	\$428,465.00

Source: PVA

## 5.11 Human Resource development

### 5.11.1 Tourism Education

Human Resource is the also critical problem for development of tourism in Palau. Training of Tourism and Services was started in 1994 at the hotel training school in PPR. But it was training of just for own staff. At that time, it was only one hotel training facility in Palau. At present, 3 graduates were sent to University of Guam to continue they're training for upgrading of skills.

Official tourism training was started in the Tourism and Hospitality Program in Palau Community College (PCC) since 1997. The Program of PCC is aimed at training of professional knowledge and provides them to tourism industries of Palau as staff level personnel. The course is composed of entry and intermediate training programs. The students are able to choose two certificate, such as "Achievement Certificate" or "Associate Science".

The program has three courses, "Tour Service course", "Hotel Operation course" and "Food and Beverage course". Tour Service course include subjects for tour guiding.

The Program has at present one full time teacher and 58 students, 21 in Tour Services, 36 in Hotel Operation Course and 1 in Food and Beverage Course. The teaching staff of the Program is only one full time American teacher and some other part time lecturers



of other courses for lecture of related subjects. The first graduates of PCC in 2000 will be 3 Yapese students who complete their study in May. PPR is providing OJT for 6 months in the hotel as internship training curriculum of Hotel Operation Course of PCC.

The training curriculum is composed of the following syllabus:

- (1) Certificate of achievement  
Program Course of Tourism Services, which includes;
  - Diving and tour guiding; and
  - Introduction to Tour Guiding
  
- (2) Program course of hotel operation
  - Dining room & beverage operations,
  - House keeping,
  - Front office
  - Operation Management,
  - Security management.
  
- (3) Program course for food and beverage
  - Food production and sanitation:
  - Advanced cooking/food and beverage cost control.

(4) Internship

The internship in PCC aimed at staff level training, however most of the students are not interested in basic staff level work, so that the Internship training is good occasion to wake them up before employment. Exchange program of PCC with Community Colleges of Guam and University of Guam are under discussion for capacity building of the graduates of PCC.

There are many experienced international experts from Japan Taiwan and USA, who have affluent experience and knowledge are working in hotels, restaurants and tour operators in Palau, but PCC does not invited them even for part time lecture of training.

## 5.12 Development Plan

### 5.12.1 Development Scenarios

In order to draw the picture for future development of Palau Tourism, the Study Team drew following three development scenarios for examination of tourism development direction for Palau and the possibilities (see Table 5.12.1).

(1) Scenario 1

Scenario 1 is to maintain the present level of the general development policy of tourism until 2009 and 2020. It is aimed at slowing development and avoiding rapid expansion of tourism in order to diversify the tourism attractions one by one. The task for tourism development is to establish the base of village tourism in the region of main part of Palau Tourism. Conservation of marine and land environment is taken as the supreme task for keeping Palau as a secret diving paradise. So, diving and nature tourism are emphasized.

However, tourism revenue will not be increased rapidly, while the food and utensils are

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imported, so that it is essential to promote village tourism and undertake tourism with domestic products and human resources and accumulate the regional revenues in the strategic regions. It is also aim to reduce over concentration of tourists in Koror.

(2) Scenario 2

Scenario 2 is aimed at reasonable development of Tourism through more emphasis and diversification of attractions in order to carry out stronger marketing and promotion and expect to invite more tourists, both divers and recreational non-diver general tourists. In this scenario, attraction of general tourists is emphasized because the general tourist market is much bigger than limited divers market. The divers population in Japan is estimated only 650,000 in 1999, which is only 4.3% among the all of Japanese overseas traveler market, so that the non-diver tourists market has much bigger potential than the divers market.

In this scenario, promotion of the village tourism should be more emphasized and the construction of tourist bases will be implemented. Recovery of Taiwanese tourism in Palau is the serious task for Palau as well.

(3) Scenario 3

This is the acceleration scenario for maximum development of tourism in order to make Palau as the main resort island in Western Pacific region as well as Guam and Saipan. In order to invite number of tourists, diversification of tourism which are not only attractions but also standard of service and accommodation by the recruit of international experts. The Government should support private sector to undertake development of resources and facilities through liberalization of foreign investment policy. Marketing and promotion should be undertaken by the private sectors to invite their customers from new markets, such as Singapore, Malaysia, China / Hong Kong, Korea, Thailand and Indonesia. Establishment of regional tourism network will be implemented in cooperation with Yap, Truk and Indonesia.

**Table 5.12.1 Tourism Development Scenario**

	SCENARIO 1		SCENARIO 2		SCENARIO 3	
Development	<ul style="list-style-type: none"> <li>- Follow present development policy and strategy</li> <li>- Develop tourist bases, and localize tourism business.</li> <li>- Establish village tourism in the regional communities.</li> <li>- Improvement of landscape in Koror.</li> <li>- Economic shrink in 2009</li> </ul>		<ul style="list-style-type: none"> <li>- Diversification of tour products and invite more tourists.</li> <li>- Introduce more recreational non-diver tourism.</li> <li>- Develop tourist bases and spread divers to the North.</li> <li>- Promotion of village tourism in the regional communities.</li> <li>- Improvement of safety for foreigners.</li> </ul>		<ul style="list-style-type: none"> <li>- Accelerate Development of tourism and follow Guam. The goal is to make Palau as the resort island in Western Pacific region.</li> <li>- Upgrade and diversify tourist attractions and services.</li> <li>- Strong marketing in China/Hong Kong, Korea, Thailand and Indonesia.</li> <li>- Improvement of safety for foreigners.</li> </ul>	
Airlines	Regular flights of CO Regular charter of FAT Charter based flights by JAL		Regular flights by CO Regular based charter flights of FAT, KAL, JAL and Cebu Pacific.		CO, FAT, JAL, CX, KAL Scheduled regular flights Chartered flights of TG, GA, SIN, MAS, and China.	
Tourist visit	1999	60,000	1999	60,000	1999	60,000
	2009	66,000	2009	90,000	2009	165,000
	2020	73,000	2020	138,000	2020	450,000
Length of Stay	Japanese	5.1 nights	5 to 6days	5.1 nights	5 to 6days	5.1 nights
	Taiwanese	3.4 nights	4 to 6 days	3.4 nights	4 to 6 days	3.4 nights
	American	6.8 nights	7 to 8 days	6.8 nights	7 to 8 days	6.8 nights
	European	9.2 nights	10 days	9.2 nights	10 days	9.2 nights
Hotel Rooms in Palau	2000	900 Rms	2000	900 Rms	2000	900 Rms
	2009	1,200 Rms	2009	1,350 Rms	2009	2,600 Rms
	2020	1,200 Rms	2020	1,750 Rms	2020	6,900 Rms
Marketing	Japan		Japan		Japan	
	Taiwan		Taiwan		Taiwan	
	USA		USA		USA	
	Europe		Europe		Europe	
	Others		Others (Hong Kong, Korea)		Others (Hong Kong, Korea)	
Tour Products	Diving tourism Non diving tour Nitrogen control tourism Promotion of after business tourism. Decentralization of diving		Diving tourism Cultural and Historic tourism in cooperation with Yap. Decentralization of diving spots. Development of recreational tourism		Regional tourism network with Yap, Truk, Indonesia. Equatorial Tourism Strong tourism promotion,	

Source: JICA Study Team

