



Northern Mariana Islands Tourism Master Plan 2012-2016

Northern Mariana Islands Tourism Master Plan

2012 - 2016

Prepared for the
MARIANAS VISITORS AUTHORITY
www.mymarianas.com

The Northern Mariana Islands Tourism Master Plan for 2012-2016 was prepared for the Marianas Visitors Authority (MVA), under the Office of Governor Benigno R. Fitial and Lieutenant Governor Eloy S. Inos in the U.S. Commonwealth of the Northern Mariana Islands. This project was made possible through a technical assistance grant of the U.S. Department of the Interior, Office of Insular Affairs.

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NORTHERN MARIANA ISLANDS

TOURISM MASTER PLAN FOR 2012-2016

Table of Contents

I. OVERVIEW OF TOURISM IN THE ISLANDS	1
Historical arrivals demonstrate the need for action	1
The importance of stakeholder input	3
How were priorities evaluated?	3
Benchmarks and best practices	4
What should master planning do for the CNMI?.....	4
Tourism industry leadership in the Northern Marianas	4
The role of the Marianas Visitors Authority.....	5
II. KEY INTERNATIONAL MARKETS	7
A diversified market base	7
Key markets identified.....	7
Tourism's seasonality in the Marianas	10
JAPAN	12
Leading market rooted in historical ties	12
Progressive erosion in Japanese air service	12
Subsidy for certain Japanese routes	14
Japan outbound trends	16
Japan market characteristics	17
2011 Exit Survey	18

What activities are Japanese tourists most interested in?	19
Visitor perceptions and concerns.....	21
Key points and recommendations.....	21
KOREA.....	22
A solid market with greater opportunity.....	22
Strategic role of golfing tourism.....	22
Korean outbound trends show robust growth.....	24
Korean market characteristics.....	26
Key concerns of Korean stakeholders	27
2011 Exit Survey	28
What are Korean visitors most interested in?	29
Visitor perceptions and concerns.....	31
Key points and recommendations.....	31
CHINA.....	33
World's fastest growing outbound tourism market	33
CNMI's strengths as a destination for Chinese visitors.....	33
Visa waiver or parole program	34
Seasonality of Chinese visitor arrivals	35
Competitive destinations	37
China market characteristics.....	38
2011 Exit Survey	38
What activities appeal to Chinese tourists?	39
Visitor perceptions and concerns.....	40
Key points and recommendations.....	41
RUSSIA	42
A lucrative emerging market	42
The importance of visa waivers.....	42
The critical role of Asiana Airlines	44
Outbound travel trends	45
Russian market characteristics provided by stakeholders.....	47
2011 Exit Survey	48
Key points and recommendations.....	49
GUAM & U.S. MILITARY MARKET	51

A promising, but challenging market	51
Inter-island arrivals on gradual decline	51
What does the Northern Marianas offer that's different than Guam?	52
Visiting military ships provide a much-needed boost	53
2011 Exit Survey	54
Key points and recommendations.....	55
III. NICHE MARKETS	57
Giving visitors special reasons to come.....	57
Additional areas of opportunity	57
NATURE-BASED TOURISM.....	61
World's fastest-growing niche market.....	61
A focus on personal growth and environmental responsibility	61
Best practice in sustainable tourism: Jamaica.....	62
Who pays for the cost of ecotourism in the islands?	63
What are some trend-setting ecotourism destinations?.....	64
Key points and recommendations.....	66
Flame trees and how nature's seasonal color is marketed elsewhere	67
Agritourism as a companion to ecotourism	68
HISTORY & CULTURAL HERITAGE TOURISM	69
A wide range of opportunities	69
How can visitors experience the culture of the Marianas?	69
Key points and recommendations.....	70
SPORTS TOURISM.....	71
Year-round sports playground	71
Golfing paradise	71
Competitive sporting events: a community strength	72
Snorkeling and scuba diving: sustainability alert	74
Key points and recommendations.....	76
Saipan's new underwater heritage trail: take pictures, not things	78
Best practices in marine tourism sustainability programs	78
IV: THE BUSINESS CLIMATE FOR TOURISM	80
Comparing the island tourism performance to the global tourism recovery	80
World Travel and Tourism Competitiveness Index.....	80

Models for tourism competitiveness in the Asia-Pacific region.....	83
Tourism recovery after a crisis	83
Diversification of markets helps tourism recover more quickly.....	84
TRANSPORTATION.....	85
Lifeblood of tourism for islands	85
Air service stability: it's all about profitability.....	85
Business model – legacy carriers v. LCCs	87
Seasonality and “Death Valley”	88
Night flights versus 3D service.....	88
Charters as a means of increasing air capacity	88
Inter-island air service	89
Is it time for a flag carrier?	90
The need for an inter-island ferry	90
Key points and recommendations.....	91
Best practices: airline market support in island destinations.....	92
HOTEL ACCOMMODATIONS	93
A mature destination with a range of hotel facilities	93
Key performance measures for hotels	93
How many tourists would it take to sustain the existing hotels?	95
Challenges for the hotel workforce.....	96
Impacts of federalization of immigration	97
Self-sufficiency for power and water	99
Land leasing holds back investments	100
Prospects for new resort investments	100
Key points and recommendations.....	100
THE TOURISM WORKFORCE.....	103
An uncertain transition to “federalization”	103
The dilemma of H visas for year-round tourism.....	104
Will island businesses find enough qualified U.S. workers in the future?	104
Training resources in high demand.....	105
Which tourism jobs are most affected?	105
Future uncertainty for small businesses.....	106
Minimum wage increased 66% in 4 years	107

Key points and recommendations.....	107
DESTINATION MARKETING	109
What can happen when marketing is discontinued: a case study	109
Best practices: performance-based funding.....	110
What is “social media” and why should destination marketers use it?.....	111
Best practice: how Fiji is using social media.....	113
Recommendations regarding social media for Asian markets.....	113
Destination branding.....	114
Key points and recommendations.....	115
V. A MULTI-ISLAND DESTINATION.....	116
Challenge of measuring inter-island travel.....	116
The case for multi-island branding	117
Unique islands with their own challenges and opportunities.....	117
SAIPAN	118
A desirable destination with a full range of attractions	118
Impact of the loss of garment manufacturing on tourism.....	118
The challenge of abandoned buildings	119
Loss of attractions.....	120
Special challenges for tourism on Saipan.....	120
Key points and recommendations.....	121
TINIAN.....	123
An island of untapped potential.....	123
Casinos and other tourist services.....	123
Dependence on one flagship attraction with one key tourist market	124
Challenges of essential inter-island transportation	125
Lack of attractions, but great potential for “new” products.....	126
Future U.S. military uses for Tinian	126
Key points & recommendations	127
ROTA.....	128
Nature’s treasure island	128
Erosion in business	128
Recently-attempted air charter programs.....	129
Possible transportation innovations	130

Opportunities for tourism product development for Rota	130
Lack of interpretive information.....	131
Vacant buildings in Songsong village	131
Key points and recommendations.....	132
Marketing Inter-Island Tourism	133
VI. TOURISM PRODUCT DEVELOPMENT	136
Product development -- an integral part of tourism master planning	136
Public-private partnerships as a leveraging tool.....	136
Examples of PPPs & practices leading to successful partnering	137
What are the respective roles of government and businesses?	137
Examples of tourism PPPs.....	140
Recommended strategy: partnership for investment promotion.....	141
Key points and recommendations.....	141
Visitor Center for the Marianas Trench Marine National Monument	143
The Marpi Historic & Cultural Heritage Area – Saipan.....	145
An unattended area requiring security & maintenance.....	145
Recognition & Improvement of the Ancient Latte Stone sites	147
Nature-based Tourism in Uninhabited Islands: Aguiguan and The Northern Islands.....	151
The 70 th Commemoration of the World War II in the Marianas	153
Planning and funding potential	154
VII. NEXT STEPS & PROPOSED ACTION PLAN.....	155
Marianas Tourism Alliance	156
Establish a new Brand Identity to market the Marianas as a multi-island destination	157
Develop a social media strategy & marketing plan	158
Annual "Governor's Tourism Summit"	160
Establish stable funding sources for tourism marketing & promotions.....	161
Create a "Tourism Dashboard" of key performance measures and statistics based on international standards	162
Establish tour guide quality standards, a certification program and training opportunities for local guides	163
Tourism Workforce Development Plan.....	164
Create a "Work Ready" certification program to encourage youths to enter the workforce	165
Create an investment “toolbox” to attract new tourism investors.....	166
Agritourism initiative	167

Revitalization Task force to address Garapan and other areas of Saipan and Rota which are experiencing commercial decline	168
Increase and stabilize international air service	170
Increase inter-island air service between Saipan, Tinian, Rota and Guam.....	172
Task Force for Inter-island Ferry Service.....	173
Marpi Historic & Cultural Heritage Park	174
World Heritage status for Tinian House of Taga and Rota's As Nieves latte stone quarry	176
Aguiguan Island nature/adventure tourism as a new signature attraction	177
70th Anniversary Commemoration of World War II in the Marianas.....	178
Marianas Trench Marine Monument Visitors Center.....	179



Executive Summary

For more than 30 years, tourism has provided essential economic support for the people of Saipan, Tinian and Rota in the U.S. Commonwealth of the Northern Mariana Islands (CNMI). The islands' close proximity to major Asian cities, their natural beauty, tropical climate, and abundant historical sites make this an ideal tourist destination.

In the late 1980s and first half of the 1990s, tourism experienced rapid growth as the islands welcomed direct foreign investment in resort hotels. In the CNMI government's Fiscal Year 1997, the industry peaked with approximately 727,000 visitors. These were primarily Japanese tourists, followed by Koreans and U.S. citizens.

With little warning, however, a rapid decline in tourism began in 2006 following the cessation of service by the islands' most significant air carrier. The level of air service from Japan has never returned to what it once was. The lack of stable air service and a significant reduction in destination marketing has resulted in a major decline in tourism. In FY 2011, the islands received only 338,646 visitors, a drop of 53% over the peak year. These visitors came from a greater diversity of key markets: Japan, Korea, China, Russia and Guam/U.S.

The long-term losses of tourists amid rapidly rising costs of doing business have taken a toll on the islands' tourism industry. Today it would take at least 572,000 visitors annually to adequately fill the number of operating hotel rooms at a sustainable level. This can be achieved only with adequate transportation and overseas marketing.

The islands are also financially challenged in terms of their ability to refresh tourism facilities and develop new products, an essential element of remaining a competitive destination. Because of the drop in tourism and the loss of Saipan's garment industry, the CNMI government's budget has declined from a peak of \$247 Million in 1997 to just \$102 Million in FY 2012. This drop in revenue has meant that the CNMI government has not had the means to maintain, improve and expand upon its primary tourism assets -- namely its many historical and natural sites on land and under the sea.

In order to revitalize tourism to an adequate level of economic sustainability, stable international and inter-island transportation, more marketing, new foreign investment and new management approaches from within the islands are needed. Additionally, this plan discusses the need for greater community involvement and employment of citizens to make the Northern Marianas' tourism industry more culturally authentic, more resilient and sustainable for the future.

About this Master Plan

The *Northern Mariana Islands Tourism Master Plan for 2012-2016* is a project of the Marianas Visitors Authority under the Office of Governor Benigno R. Fitial and Lieutenant Governor Eloy S. Inos. Made possible through a generous grant from the U.S. Department of Interior's Office of Insular Affairs, this document and its companion volumes was developed with the goal of revitalizing the islands' leading industry.

While this plan does discuss key marketing challenges and opportunities, it is essentially an economic development plan that is designed to help revitalize a mature tourism industry. It provides a robust evaluation and assessment of the Northern Marianas as a tourist destination from the perspective of the islands' visitors as well as primary stakeholders.

The assessment also discusses the business of tourism in the context of internationally-recognized competitiveness factors that impact the performance of tourism destinations around the globe today. These 14 key factors developed by the *World Economic Forum* provide valuable insights that the CNMI government should focus on to improve tourism:

- Policy rules and regulations
- Environmental sustainability
- Safety and security
- Health and hygiene
- Prioritization of travel and tourism by local government
- Air transportation infrastructure
- Ground transportation infrastructure
- Tourism infrastructure
- Internet and communications
- Price competitiveness
- Human resources
- Affinity for tourism by the community
- Natural resources
- Cultural resources

This Master Plan is presented in two volumes:

Volume 1 provides a discussion of tourism’s performance over the years; information regarding the characteristics of the CNMI’s key markets and niche markets; a review of the business climate for tourism including special issues in transportation, hotels, small businesses and the workforce; challenges and special opportunities for this multi-island destination as well as Saipan, Tinian and Rota individually; and strategies for several “signature” projects. The research involved interviews with more than 130 public and private sector stakeholders on Saipan, Tinian and Rota, as well as in China, Guam, Japan, Korea, Hong Kong and Russia.

Relevant best practices from destinations around the world are provided in an effort to bring new ideas for the benefit of the islands. Volume 1 also stresses the urgent need to spread the work throughout the community among public and private stakeholders that are the beneficiaries of tourism dollars spent in the islands. The action plan in Chapter 7 is a guideline to help stakeholders launch specific actions in the revitalization of tourism. Outlined in that chapter are 20 projects that will help the government, tourism stakeholders, and the community work together to improve tourism over the next five years.

Volume 2 provides the results of a 2011 Exit Survey conducted at Saipan International Airport. The voluntary survey incorporated the views of more than 2,300 international visitors who departed from Saipan International Airport from May through October 2011. The 31-question survey was administered in the languages of visitors from Japan, Korea, China, Russia and Guam/U.S. Visitors were given an opportunity to describe their motivations for travel, their satisfaction with attractions, and to comment on what they would like to see improved. This feedback was essential to shaping the recommendations and proposed actions in this plan.

Because funding in the islands is extremely limited, this project prioritizes solutions and projects that have the greatest potential for return, but with opportunities to leverage limited local resources. Wherever possible, the plan recommends the utilization of user-generated funding, federal grants and technical assistance, support from non-governmental organizations, and public-private partnerships in its implementation.



I. OVERVIEW OF TOURISM IN THE ISLANDS

What is success?

Jobs. Vitality. A good tax base. A healthy level of profit for businesses. Convenient, affordable transportation that promotes inter-island travel. An opportunity to preserve and share one's culture with the outside world. A diverse customer base that offers flexibility and less vulnerability to external events. A level of visitor arrivals that can support a good quality of life for the community, without adversely impacting the beautiful natural environment.

For most tourism stakeholders in the Northern Mariana Islands, these are the responses one gives when discussing the concept of success in tourism. But is the current structure of the tourism industry competitive and sustainable? Do these islands have all the tools needed to re-grow tourism as it was in the peak years of the mid-1990s? The severe, prolonged downturn in tourism that these islands are experiencing suggests that change is necessary.

Tourism is a global industry which encourages governments to make the most of their natural attractions in exchange for the revenue brought in from out of area visitors. Increasingly, the promotion of tourism is a significant tool to help government meet economic development goals, and this is certainly necessary in the Northern Mariana Islands. Today tourism is the only major industry, following the complete loss of Saipan's garment industry, which for over two decades stood alongside tourism as the second leg of the economy.

Tourism is a natural resource-dependent industry. Its sustainability is linked not only to the environment, but also many other factors including the location's tourism policies and business climate, the vision and commitment of investors, transportation access, the attitude and skills of the workforce, marketing, and more.

Especially in difficult times, tourism requires leadership. It requires partnerships between the public and private sectors to drive the industry with good policy-making, strategic thinking and execution of continuous improvements.

Historical arrivals demonstrate the need for action

The Northern Mariana Islands are experiencing an unprecedented economic depression caused by multiple factors. These include the complete loss of Saipan's garment industry, a major decline in international air service, the absence of tourism destination marketing in the islands' key source markets, and rapidly rising costs of doing business. These factors and their various

impacts on tourism will be discussed throughout this document. Figure 1 and 2 illustrate the dramatic rise and decline in overall visitor arrivals and the key source markets since the Marianas Visitors Bureau (now the Marianas Visitors Authority) first began tracking these figures.

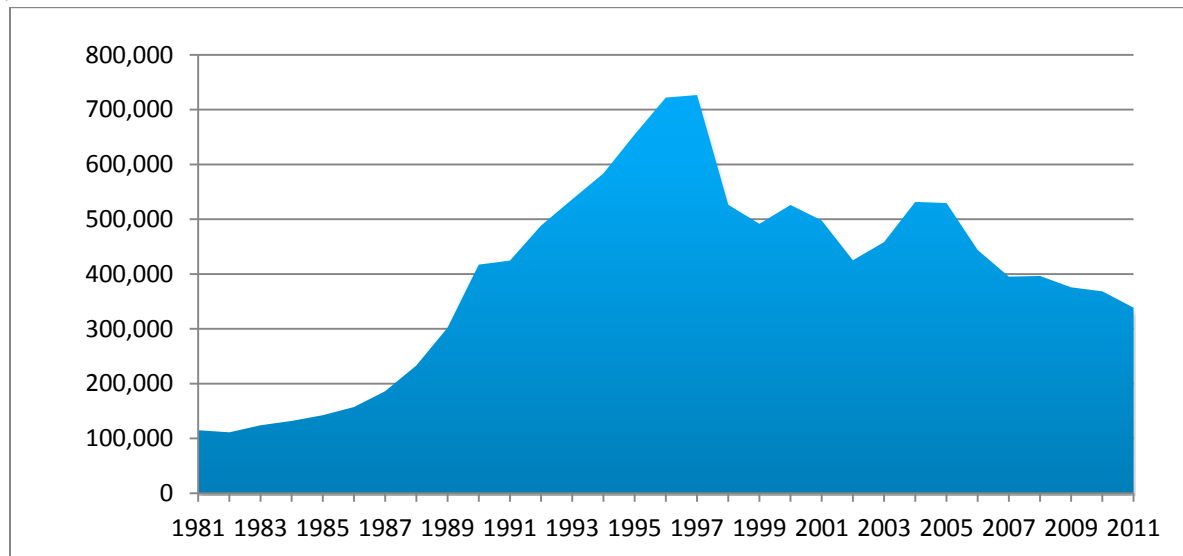


Figure 1: Total Arrivals in the Northern Mariana Islands

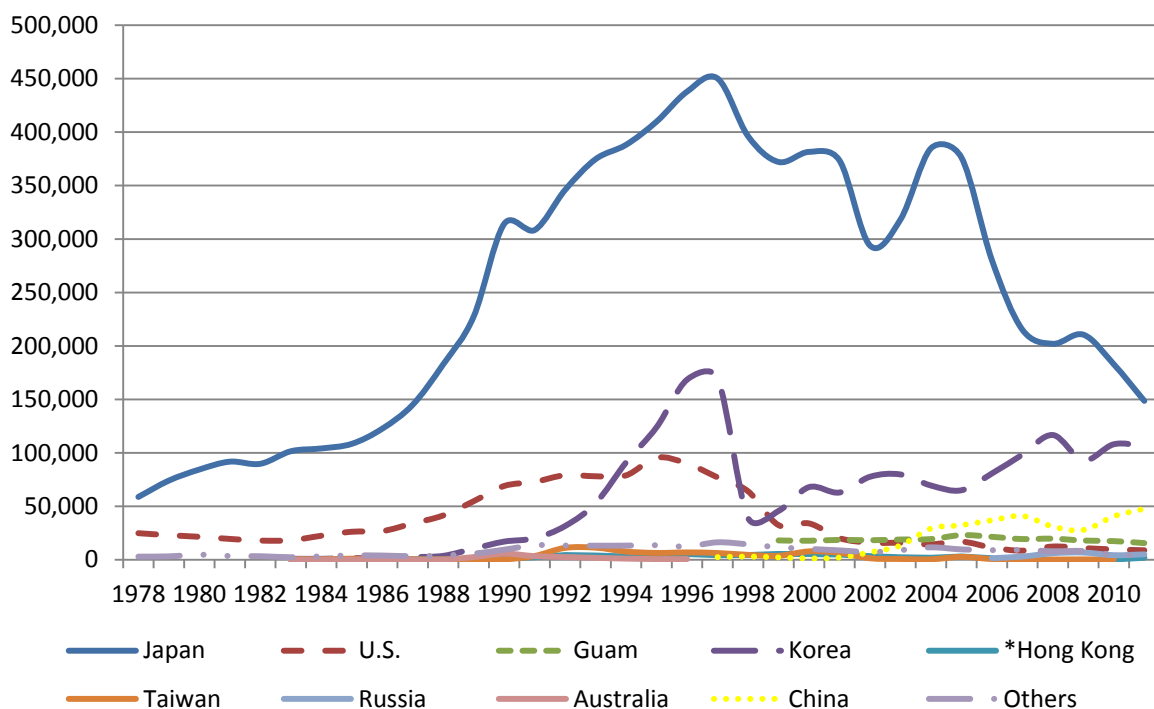


Figure 2: Arrivals in the Northern Marianas by Market from 1978 to 2011

In 2010, the Marianas Visitors Authority (MVA) advertised a request for proposals for a consultant to assist in the preparation of a new five-year master plan for tourism in the Northern Mariana Islands. Funded by a technical assistance grant from the U.S. Department of Interior, this plan provides a continuation from an earlier plan, “*Strategic Initiatives for Tourism 2006-2010*,” prepared by tourism stakeholders for the Office of the Governor Benigno R. Fitial and the MVA.

Management Analysis Incorporated (MAI) of Vienna, Virginia was hired to develop this plan in 2011. The work was carried out by a multi-national team with tourism economists, master planners, economic developers, marketers, analysts and a tourist survey team based in the U.S., Japan, and the islands. The team acted in the role of researchers, facilitators, and provided additional insights gained through experiences with other international destinations.

The mission of this *Tourism Master Plan for 2012-2016* is to help drive change and improvements in the tourism industry. It is an assessment of the history of the industry and the current conditions as of 2011. It is intended to facilitate the sharing of many perspectives between government and industry leaders, and to provide recommendations for future actions that stakeholders can implement.

This project incorporated several elements:

- 1) The research and preparation of a five-year strategic plan to address the challenges and opportunities of improving the tourism industry
- 2) A visitor exit survey of five key markets
- 3) The development of an action plan
- 4) The development of a proposed new brand identity for the islands for MVA

The importance of stakeholder input

To understand the Northern Marianas’ unique situation, the research required discussions with people who could provide different perspectives. Working with the MVA, the project team identified people with essential knowledge. This plan incorporates the views of more than 130 stakeholders, many of whom are long-time, committed industry partners. It also incorporates the views of policy makers in the CNMI government whose decisions have an impact on the business climate. Throughout the study period, many stakeholders offered many creative and relevant ideas based on their own expertise.

The project team also surveyed more than 2,300 visitors who voluntarily gave their views of the islands as a tourist destination. With great consistency, the statements of visitors matched those of the industry stakeholders, giving validity to many of the opinions expressed throughout the project.

How were priorities evaluated?

An important goal of this plan is to leverage the existing strengths, i.e. the beautiful climate and natural scenery on land and under the sea, as well as the historical and cultural assets of the Northern Marianas. This document also identifies major weaknesses that, if left unattended, could pose threats to the islands’ ability to retain and expand the existing tax and employment base through tourism.

For businesses to locate in the islands and succeed in creating jobs and economic benefits there must be opportunities for adequate returns on investment. For this reason, the project team gave great consideration to the “enabling environment” that allows tourism businesses to invest

and to operate. This plan recognizes 14 factors in international tourism competitiveness that are highly relevant to the Northern Marianas' situation. These are discussed in Chapter 4 and include factors such as transportation, challenges for hotels and small businesses, the regulatory and land leasing environment, as well as issues related to the workforce.

Benchmarks and best practices

Throughout the plan, the researchers sought to understand and demonstrate trends through verifiable statistics. They also reviewed successful practices from many other tourist destinations that have undertaken successful initiatives with similar goals or objectives. Examples are given throughout this document to help draw comparisons and provide ideas.

Recognizing the islands' current economic challenges, a special focus of this master plan was to identify creative solutions to fund the recommended initiatives and projects. Wherever possible, the plan identifies opportunities for self-funding, public-private partnerships (PPPs), and external resources to help avoid additional costs for the CNMI government.

What should master planning do for the CNMI?

Master planning is a vehicle for organizing people to engage in strategic thinking, and to study and learn from the root causes of the islands' economic challenges. Ultimately, the planning process should help drive new policies, initiatives and projects to address the challenges and achievement of goals. This document and the Action Plan which is recommended in Chapter 7 provide guides for stakeholder implementation. Flexibility has been built into the recommendations to give ample opportunity for local creativity.

Tourism industry leadership in the Northern Marianas

Tourists all over the world are concerned with getting good value for their money, the quality and freshness of the attractions, and the depth of their experience. Sustainability of the Northern Mariana Islands' tourism industry is linked not only to the satisfaction levels of its visitors, but also to such critical factors as air transportation, the level of investment of hotels and owners of tourist attractions, the service that workers in hospitality provide, the attitudes and practices of tour companies, and government policies that affect tourism businesses.

Tourism in the Northern Marianas is an industry "cluster," a collection of many types of businesses with coordination by a number of public and private sector organizations. The industry depends on the protection and promotion of natural assets, as well as man-made attractions in exchange for the revenues brought in from out of area tourists. Tourism in the islands is an essential 24/7 business that feeds the island economy. The industry performs its best with leadership, community coordination and marketing. Many public and private sector organizations help coordinate the business of tourism in the islands.

Tourism policy is addressed by the CNMI government in several ways:

In the Northern Mariana Islands Legislature, there are committees in both the Senate and House of Representatives that are assigned to address tourism and other general business issues from the standpoint of policy formation.

For tourism investment purposes and policy oversight, the Office of the Governor and Department of Commerce are actively involved. If a tourism development project requires the use of public land, the Department of Public Lands and Natural Resources becomes involved,

and then there are a number of other government agencies that have some regulatory oversight. If a business seeks special investment incentives – tax abatements or other assistance to help reduce its risks -- the Commonwealth Development Authority is the first stop in a series of government approvals.

The Department of Parks & Recreation is responsible for the maintenance of most tourist sites that are on public land. The Marianas Visitors Authority, the destination marketing and promotion organization for the islands also provides for some security and maintenance at selected sites on Saipan, Tinian and Rota.

A public-private collaboration, the Strategic Economic Development Council (SEDC) is an economic “think tank” that provides an opportunity for government leaders and heads of private sector organizations to discuss key issues of importance to the economy. These monthly meetings are convened by the Governor and several members of the Cabinet, and members of the CNMI Legislature on a voluntary basis. Because it is such a vitally important issue to the CNMI, the SEDC also has an Air Service Committee. This is a volunteer committee that includes private sector representatives and typically a representative of the Commonwealth Ports Authority (CPA). The CPA is responsible for the operation of three airports and three seaports on Saipan, Tinian and Rota.

The private sector has several organizations that are responsible for certain aspects of tourism development and operations: The Hotel Association of the Northern Mariana Islands (HANMI) was designed in the late 1980’s as a membership forum for hotel executives. It has since expanded to include allied members that do business with the hotels. As of 2011, HANMI had 13 operating hotel members which were all based on Saipan.

The Society for Human Resources Management (SHRM) was founded in the late 1990’s to address the professional human resources function of hotels. It was expanded to include a wide range of business interests. For promotion of the industry and tourism careers for local youths, there is the Marianas Tourism Education Council (MTEC).

Several industry groups focus on tourists of certain nationalities, including the Japan-Saipan Travel Association (JSTA) and the Korea Travel Association (KTA).

One of the oldest and most established business organizations in the Northern Marianas, the Saipan Chamber of Commerce provides some support for tourism issues, although its purpose and activities are inclusive of all types of businesses. Tinian also has its own Tinian Chamber of Commerce made up of island business leaders.

Each of these organizations has some level of involvement in the myriad of issues that affect tourism.

The role of the Marianas Visitors Authority

The lead organization that is responsible for spearheading the promotion of the islands as a tourist destination is the Marianas Visitors Authority (MVA). The MVA participates in many of the organizations and activities listed above, both public and private sector-driven. Its Managing Director is a member of the Governor’s Cabinet. The number of employees fluctuates from year to year according to the budget. As of late 2011, there were more than 20 personnel working for the MVA on Saipan, Tinian and Rota. The MVA also has representative offices in

Tokyo, Japan and Seoul, Korea; and a public relations representative on Saipan that supports the communications and marketing functions.¹

The MVA was first established pursuant to District Law 4-145 on February 11, 1976 as the Marianas Visitors Bureau (MVB), a non-profit organization for promotion and development of the tourism. On August 22, 1994, the Governor's Executive Order 94-3 (EO), the "Second Reorganization Plan of 1994" became effective. Section 302(b) of the EO placed the MVB under the Department of Commerce for purposes of administration and coordination. The EO also established a 14-member board of directors, which was to be appointed by the Governor.

On June 17, 1998, Public Law 11-15, the "Marianas Visitors Authority Act of 1998" was signed into law, abolishing the MVB and establishing a new public corporation named the "Marianas Visitors Authority." The new law reduced the board to nine, which included five appointed by the Governor with the advice and consent of the Senate. The remaining four members are to be chosen by paying members of the MVA.

In accordance with its enabling legislation and subsequent amendments, the MVA is to receive 70% of hotel room occupancy taxes and 25% of the alcoholic beverage container taxes collected by the CNMI government. However, in practicality, the budget it set each year by the CNMI Legislature as part of the overall government budget. As a separate corporation, the MVA receives budget allotments from the CNMI Department of Finance, which it uses to pay for its personnel, overhead, activities, and investments in marketing.

The MVA's Board of Directors is responsible for approving the organization's overall budget and marketing investments. For MVA's purposes, "marketing" refers to a collection of activities, both overseas and locally that include traditional and Internet advertising, promotions and public relations. The MVA also plays a key role in sponsoring and/or producing logistics for certain special events that welcome tourists. MVA also uses a portion of its budget for the maintenance of tourist sites on Rota, and for security at selected sites on Saipan.²

For the implementation of the *2006-2010 Tourism Plan*, MVA launched nine ad hoc committees, which were each headed by a volunteer private sector representative and supported by one MVA staff member. The committee chairmen were responsible for recruiting their own volunteer committee members from members of the community. These nine committees addressed: Air Service (this committee and the SEDC Air Service Committee were one and the same), Branding, Destination Enhancement, Hotels, Niche Marketing, and key markets: Japan, Korea, China and Russia (each with its own committee).

Each of the committees worked for several years to help implement the 2006-2010 Plan. To a great degree, the committees self-funded many activities through in-kind business donations and sponsorships. Key market committees provided recommendations to the MVA for marketing activities which required budgeting. As of 2010, some essential committees including Air Service continued, but many of the other committees were suspended due to the CNMI government's budget crisis.

¹ These functions are outsourced and performed by private contractors.

² Tourist sites on Tinian are maintained by the Office of the Mayor of Tinian.

II. KEY INTERNATIONAL MARKETS

A diversified market base

In any study of how to improve a tourist destination's performance, it is essential to consider the needs, wants and desires of customers. This chapter presents a review of the five key markets that stakeholders have prioritized. Recognizing its critical dependence on tourism, for nearly a decade the Northern Marianas tourism industry has sought to diversify its key markets. Diversification was a key theme of the *2006-2010 Tourism Plan* and it remains a key initiative within this plan. The islands have had a unique opportunity for diversification because of the close proximity of numerous Asian countries with large populations that travel abroad. Market diversification has in fact proven to be a wise strategy as economic, social and natural events have disrupted each of the islands' key markets at different times and to varying degrees.

Successful diversification is not an easy feat. It involves making choices in the use of limited marketing funds, and devoting time and resources to understanding and addressing the unique cultures, habits and expectations of each market.

As shown in the following pages and the Transportation section of Chapter 4, the continuing instability in air service has had a devastating impact on visitor arrivals. In 2005, the MVA predicted that reductions in the Japan-Saipan air service would cause a tourism crisis. To mitigate this, the islands' tourism industry worked harder to diversify and increase arrivals from Korea, China and Russia. With limited funds, the industry also tried new approaches to increase visitors from Japan.

Key markets identified

In considering strategies for improvement, it is important to understand national traits and differences in the largest source markets, as well as their outbound trends over a time. The previous Northern Marianas tourism plan addressed several source countries that were considered key markets: Japan, Korea, China, Russia, and Taiwan. Guam was not discussed as a major market in the 2006-2010 Plan, but has been included in this document as one of the current key markets, replacing Taiwan. The Northern Marianas have received Taiwanese visitors in the past, but because there is no direct air service, there are virtually no Taiwanese visitors at this time. This is not to say that this market could not be re-opened in the future if marketing dollars and transportation were to become available.

Daily direct flights from Guam to the Northern Marianas have been operating for many years. With a growing population and many shared interests, there is potential for the Guam market to grow. This chapter also considers the growing U.S. military presence in Guam, as well as military ships that are operating and training in the region. Military personnel represent a market that generally comes to the Northern Marianas by air from Guam or via ships on shore leave "R&R" (rest and relaxation) visits. The islands have some opportunity to grow military R&R arrivals by building the awareness of the islands through targeted marketing efforts to military organizations.

A CNMI government arrival form is required for every person entering the islands via airports and seaports. These forms capture information which the MVA uses to create visitor profiles.

Japanese and Korean tourists have been visiting the Northern Marianas for more than 30 years since the tourism industry first began in the 1970's. Japan and Korea are the two largest markets today. For more than a decade, public and private stakeholders of the islands have also marketed to attract Chinese and Russian tourists. These two markets present a major opportunity: China and Russia are recognized by leading international tourism organizations as the fastest growing outbound markets in the world. Figure 3 illustrates the market share by nationality of arrivals to the Northern Marianas within FY2010's total arrivals of 368,186.

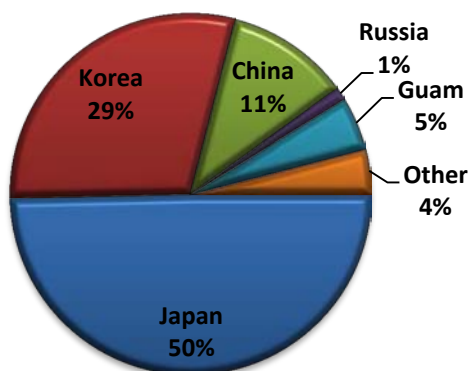


Figure 3: FY2010 Source Market Breakdown

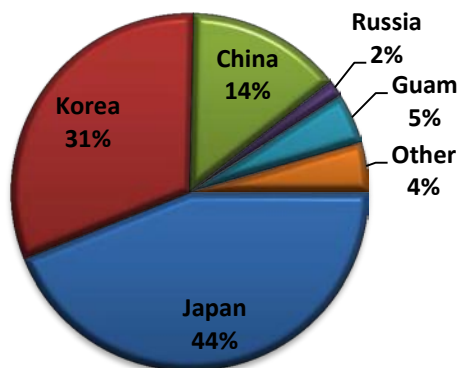


Figure 4: FY2011 Visitor Source Market Breakdown

To illustrate the effect of declining air service and the Tohoku earthquake on March 11, 2011, Figure 4 shows that while Japan remained the leading source market in FY2011, Japanese arrivals dropped below 50% market share for the first time in Northern Marianas history. Korea, China and Russia each grew in terms of market share as compared to the total arrivals of 338,106.

The spending habits of the different nationalities of visitors affects the economic impact of each market in comparison to overall tourism revenue. Figure 5 below shows the variances by nationality as reported by visitors who participated in the 2011 Exit Survey. These figures do not include hotel accommodations.

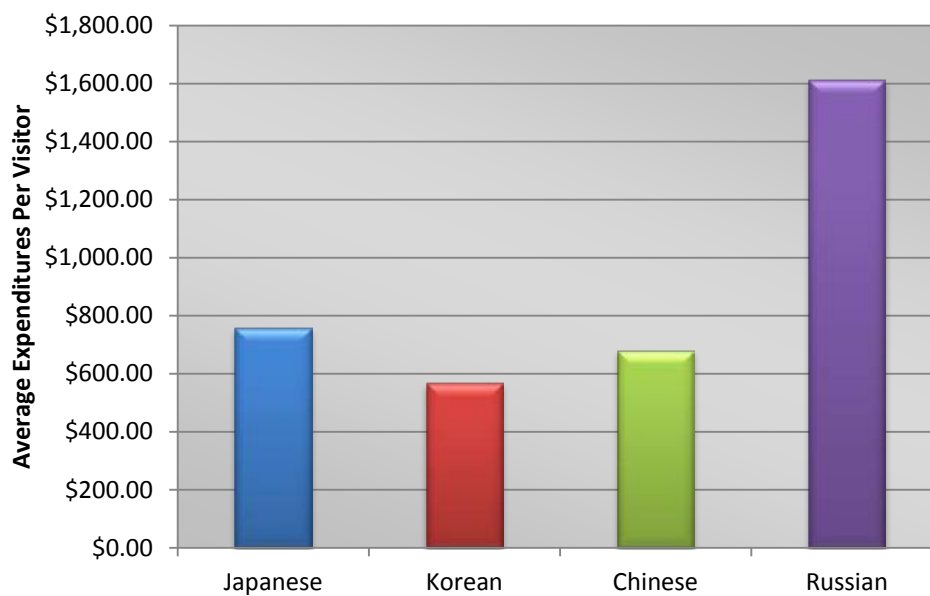


Figure 5: Average On-Island Expenditures FY2011

Table 1: Projection of On-Island Expenditures for Key Asian Markets

Market	Spending	FY 2011 Arrivals	Spending
Japan	\$758.16	148,634	\$112,688,538.25
Korea	\$568.73	106,383	\$60,503,436.24
China ³	\$681.40	47,738	\$32,528,622.41
Russia	\$1,615.75	5,092	\$8,227,399.00

³ The expenditures of Chinese visitors which were voluntarily reported in the 2011 Exit Survey and used for these graphs were probably lower than the average Chinese visitors to the Northern Marianas due to the fact that the survey took place during a period when flights from Shanghai and Beijing were temporarily suspended. Most visitors surveyed stated that they were from the Guangzhou area in Southern China, which has lower per capita incomes than the metropolitan areas of Shanghai and Beijing.

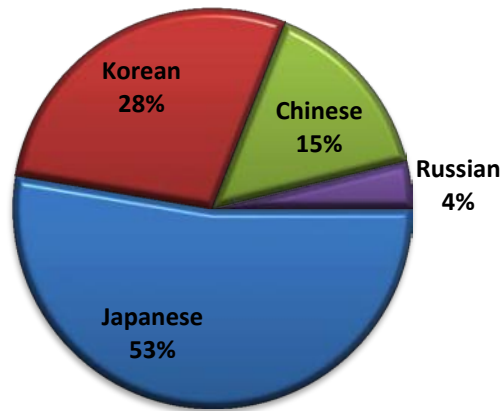


Figure 6: Visitor Spending of the Top 4 Asian Markets in FY2011

Tourism's seasonality in the Marianas

Seasonal trends are demonstrated through the peaks and valleys in total arrivals by month, as shown in Figure 7 below. The year FY 2010 was a typical year in terms of seasonality.

Peak travel times for the Japan, Korea and China markets differ according to national holiday periods. Northeast Asia's coldest winter period of mid-December through February are typically the peak periods for all of the islands' key markets. The celebration of Lunar New Year varies slightly each year, but is usually celebrated towards the end of January to mid-February. During this time, Japanese, Korean and Chinese travelers go on holiday and it is not unusual for hotels on Saipan to become fully booked.

The average temperature in the Northern Marianas is 84° F (28.9 °C) all year round; however, the dry season period from December through March is usually the most comfortable and driest due to trade winds and slightly milder temperatures. This is the most favored season for certain outdoor activities like golf, although the sport is played all year-round. Scuba diving can also be enjoyed all year-round; however, a few sites are best enjoyed in the summer months (typically April through July), when the ocean is the most calm.

The flame tree blooming season typically begins in April and peaks in June when the weather is hottest of the year. June is typically considered a "group travel" period, although large groups from Japan have declined in recent years due to reductions in air service.

July-August is another peak season frequented by families, a period when students are out of school. This is a time when the MVA and hotels typically plan special activities for children, such as the annual "Happy Children in Paradise" campaign. The rainy season usually begins in July and is the heaviest in August.

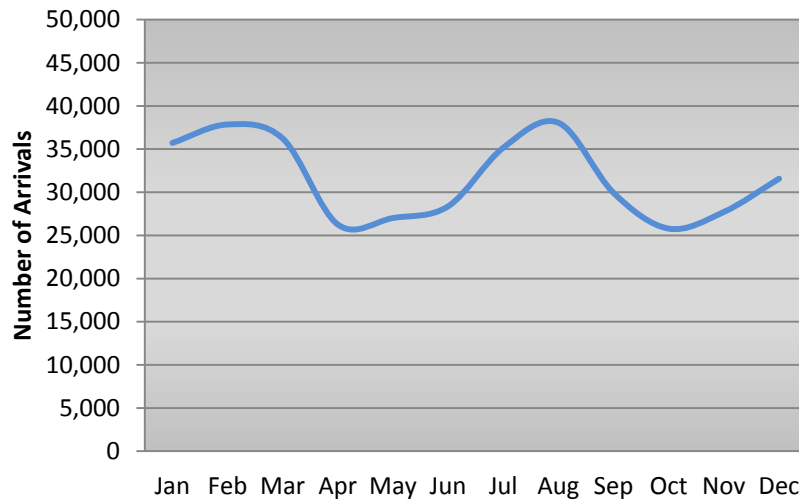


Figure 7: FY2010 Seasonality of Visitor Arrivals to the Northern Mariana Islands

Visitors of different nationalities have different expectations in terms of their likes and dislikes, what they can afford to spend, their ability to communicate with the host country, and what they perceive as a good value. It is vital to a destination's reputation to ensure that all guests are served with equal warmth and good customer service. To this end, creating a unique "Hafa Adai Spirit" of the islands was another focus of the 2006-2011 Strategic Plan. This concept in local hospitality has started to become recognized in places like China, where travel marketing websites have used the Hafa Adai Spirit to help define the islands.

The following sections give further details of market profiles and trends by nationality.



JAPAN

Leading market rooted in historical ties

Since 1978 when the Marianas Visitors Bureau⁴ first began recording arrival statistics, Japan has been the dominant tourist market. Deep historical ties with Japan originated during the Japanese Administration of the islands from 1919 to 1944⁵. Another factor that draws Japanese tourists is the close proximity of the islands, America's closest location to Japan.

A third factor is the high incidence of Japanese investment in the islands' tourism infrastructure. In the late 1980's and early 1990's, Japanese investors came to the islands and built resort hotels, golf courses and other tourist attractions. Japanese organizations and individuals erected numerous memorials to people who lost their lives in the islands during World War II. To this day, groups from Japan continue to visit the memorials to remember family members.

The islands are a popular destination for school groups on educational and cultural exchange tours. Japan has an official embassy on Saipan, and numerous Japanese non-profit organizations have an active presence to support the interests of visitors and Japanese nationals who work in the islands. In short, Japanese citizens are comfortable in the islands, and in many ways, they are an integral part of the community.

The Northern Marianas is a three-hour flight from Japan. The short flying time makes for an ideal getaway for couples, families, students and businesspeople who want to escape for time on the beach, scuba diving or a weekend of golf.

Despite these advantages and the strong network of support for Japanese tourists, the overall number of Japanese visitors has greatly declined with the loss of air service. The decline began when the Japanese national airline, Japan Airlines (JAL) left the market in October 2005 and has continued as other air carriers have made further reductions.

Progressive erosion in Japanese air service

The loss of JAL service affected not only the Northern Mariana Islands, but also most of the airline's other international leisure routes. As the airline struggled to overcome severe financial problems, flights were cancelled to Honolulu, Guam, Vietnam, Seoul and all international flights out of Fukuoka, Japan. Due to the high cost of serving Saipan, even if JAL's

MARKET HIGHLIGHTS

Total visitors in 2011: **148,634**

Market share of CNMI visitors: **44%**

Ave. length of stay: **3.3 nights**

Repeat visitors: **40.5%**

Traveling with spouse: **50.2%**

Traveling with children: **24.6%**

Age of children: **2-12 years old
(72.4%)**

On-island expenditure without hotel
expense: **\$758.20 / Visitor**

⁴ The name was later changed to the Marianas Visitors Authority.

⁵ By 1944, nearly 80,000 Japanese made the Northern Marianas their home. Many people were employed by the Japanese firm Nanyo Kohatsu in the sugar cane industry.

flights were fully booked, airline officials said they lost money on the route. At the same time, higher profitability destinations like China required additional capacity by the airline.⁶ Destination competition did not allow for the airline to raise seat prices. Therefore, the Japan-Saipan seats were losing millions for the airline each year.

Not long after the airline's departure, Saipan saw the closure of the La Fiesta San Roque Shopping Center, a \$60 million development owned by JAL. The airline also closed its Saipan-based tour bus company and eventually sold the JAL-owned Hotel Nikko Saipan, which thereafter lost its international brand-name marketing in Japan.

These major losses were the catalyst for the development of the first Northern Marianas tourism plan, *Strategic Initiatives for 2006-2010*, which was launched by Governor Benigno R. Fitial and the MVA in April 2006. The plan called attention to the "Japan air service crisis." Following its release, an Air Service Committee was formed under the Governor's Strategic Economic Development Council (SEDC) to seek solutions.

At the same time, MVA's officers and Japan office began an active dialogue with Northwest Airlines (now known as Delta Airlines since the firms merged) and other airlines in efforts to build back lost capacity. These efforts resulted in a greater understanding by local officials that the Northern Marianas was considered a "low-yield" destination for established legacy air carriers. Rapidly increasing fuel costs had accelerated the problem.

Whether one supports the philosophy that the chicken – or the egg – comes first, a lack of marketing almost always results in a loss of demand; hence, the islands' inability to help fill the available air seats. Due to a declining government budget, the MVA has not had adequate funds to invest in marketing. The lack of marketing has in turn made international air service even more unstable. A typical annual pattern has been for the airlines to increase service during the traditional peak travel periods and then drop schedules in the off seasons. The constant schedule changes have made it difficult for long-term planning and promotion by tour agents. The drop in air service capacity has also reduced the number of groups that can travel to the islands.

During the peak year of tourism in 1997, at one time JAL and Continental Airlines jointly provided over one million seats from three major Japanese cities to Saipan.⁷ Japanese tourists reached a level of 447,882 arrivals in that year. The Northern Marianas' share of all of the outbound Japanese tourists leaving the country at that time was 2.7%. More than half of these tourists came to Saipan on JAL, and the overall market share of Japanese tourists as compared to other nationalities arriving in the islands exceeded 57%.

In FY 2004, air capacity from Japan was 500,763. By FY 2010, annual air service capacity from Japan to Saipan dropped by nearly 50% to just 257,000, resulting in Japanese arrivals of only 182,820. These arrivals represented 1.1% of all outbound Japanese tourists, the lowest market share the CNMI recorded in two decades.⁸ The share of Japanese tourists as compared to other tourists visiting the CNMI dropped to 49%.

With the tremendous loss of Japanese visitors, the islands' hotels, tour operators, retailers, restaurants, and many other small businesses experienced major hardships. The

⁶ According to airline personnel, service to and from China typically involved more business class fares and cargo revenue.

⁷ This included seats bound for Guam after a stopover in Saipan, so theoretically not all seats were available for visitors staying in the CNMI.

⁸ During the same period, two competing destinations for the CNMI, Guam and Hawaii enjoyed 5.3% and 7.2% market shares of all outbound Japanese tourists. Both destinations are hubs for airlines.

extended downturn has resulted in the closure of several hotels on Rota and Saipan, along with the closure of long-standing businesses which catered to the Japanese market. Some notable losses were the La Fiesta San Roque luxury shopping center, Rota's Paupau Village Hotel, the Plumeria Resort on Saipan, the Palms Resort (formerly the Hotel Nikko Saipan)⁹, the Saipan Botanical Garden and numerous others.

Subsidy for certain Japanese routes

In a move to try to increase travel demand during the non-peak season, the CNMI government on February 16, 2011 signed into law Public Law 17-29, which established the "Japan Air Service Stabilization program." The law called for the establishment of a Japan Air Service Trust Fund to provide for monetary incentives for tour agents in order to spur demand from Osaka and Nagoya to Saipan. Additional incentives through 2012 were earmarked to promote travel to the islands of Tinian or Rota.

The timing of the new incentive proved to be inopportune for recovery as March 11, 2011 saw a major disaster in Japan. The Tohoku earthquake created a major tsunami, which triggered the failure of a nuclear power plant. Faced with a crisis in their home country, Japanese citizens quickly canceled travel plans. Destinations with shorter travel distances in the Asia-Pacific region were the most affected because travelers could more easily defer their departures. In the first month after the disaster, thousands of tourists cancelled their bookings and the Northern Marianas recorded the largest drop in arrivals in the Asia-Pacific region.¹⁰

Tourism in the region gradually began to show recovery in late 2011; however, the Northern Marianas continued to lag behind in Japanese arrivals. Table 2 below shows that for the full fiscal year 2011 only 148,634 Japanese tourists visited the islands or 44% of total arrivals. This was a 19% drop from 2010.

Table 2: Japanese Arrivals to the Northern Marianas, FY2001 - FY2011

FY	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Arrivals	333,911	326,735	328,075	384,845	376,263	280,292	215,196	202,041	210,567	182,820	148,634
Change	-	-2%	0%	17%	-2%	-26%	-23%	-6%	4%	-13%	-19%
Note		Iraq war	SARS outbreak		JAL pullout	JAL pullout			Global economic crisis	Seasonal cuts in air service	Seasonal cuts in air service, March 11 Triple disaster

Figure 8 below illustrates how Japanese arrivals to the islands have declined each year beginning in 2006, other than a slight increase of approximately 9,000 arrivals from 2008 to 2009. Northwest Airlines added some service to Saipan from Japan, but seat capacities have

⁹ The owner of the hotel, the United Micronesia Development Association stated that the closure was for renovation purposes. The hotel closed for business in October 2010 and has remained closed as of this publication in March 2012.

¹⁰ On June 27, 2011, the Pacific Asia Travel Association Travel released data stating that the Pacific region grew overall by 5% in April 2011, year-on-year. However, visitor arrivals to Guam (-14%), the Marshall Islands (-15%) and the Northern Marianas (-18%) all showed declines. This was due to the substantial decreases in arrivals from Japan.

never returned to the level JAL provided. The FY2011 arrivals were approximately 19% fewer than they were in FY 2010.

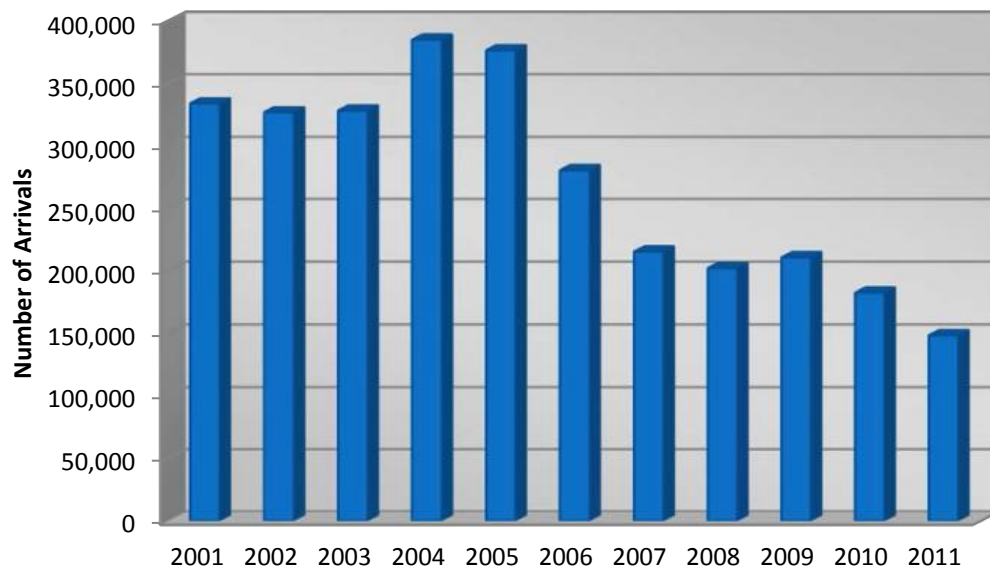


Figure 8: Japanese Arrivals in the Northern Marianas from FY2001 - FY2011

Figure 9 below shows the seasonality of Japanese visitor arrivals to the islands. Arrivals show the deepest seasonal drops as air schedules are typically cut in April and the end of September.

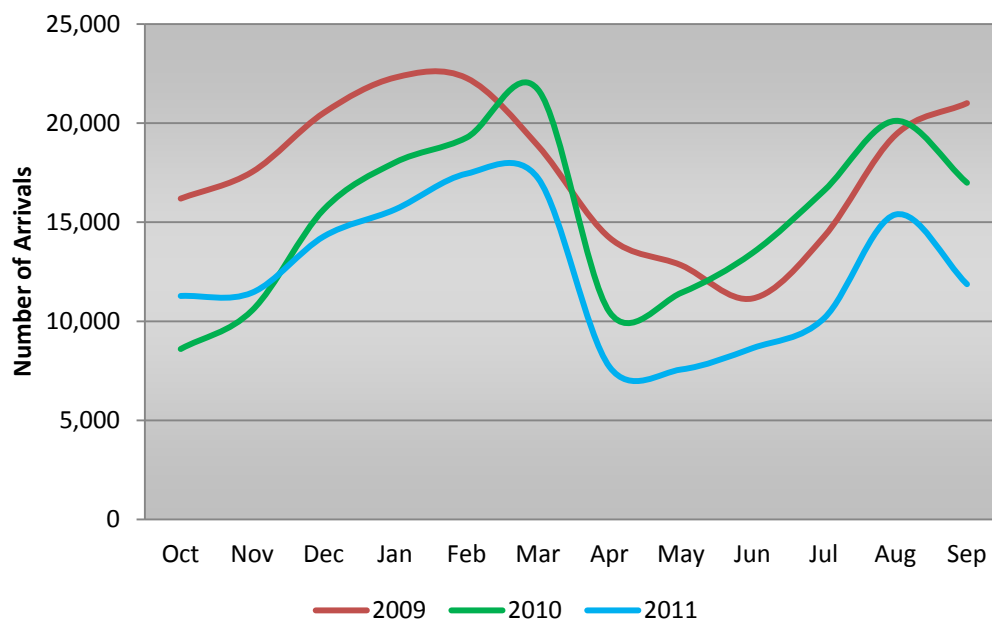


Figure 9: Seasonality of Japan Arrivals in the Northern Marianas from FY2009 - FY2011

Japan outbound trends

As shown in Table 3¹¹ below, overall outbound travel from Japan remained steady at approximately 16 to 17 million outbound travelers per year between 2004 and 2010. In 2002 and 2003, Japan experienced the largest drop in outbound travel. Approximately 16% and 9% fewer travelers compared to previous fiscal years. This can be partially attributed to the war in Iraq and the outbreak of the SARS virus in Asia.

Table 3: Outbound Travel from Japan, 2001 to 2011

Year	Outbound Travelers (in Millions)	% Growth
2001	17.88	-
2002	15.07	-15.7%
2003	13.69	-9.2%
2004	16.25	18.7%
2005	17.46	7.4%
2006	17.53	0.5%
2007	17.39	-0.8%
2008	16.40	-5.7%
2009	15.41	-6.0%
2010	16.42	6.5%
2011 ¹²	16.55	0.8%

Although the overall number of outbound Japanese travelers remained steady, the percentage of Japanese arrivals to the Northern Marianas began a decline in 2006 and has not recovered other than a slight increase in 2008 and 2009 (Figure 10 below).

¹¹ Japan National Tourism Organization, www.jnto.go.jp

¹² FY2011 estimated total departures

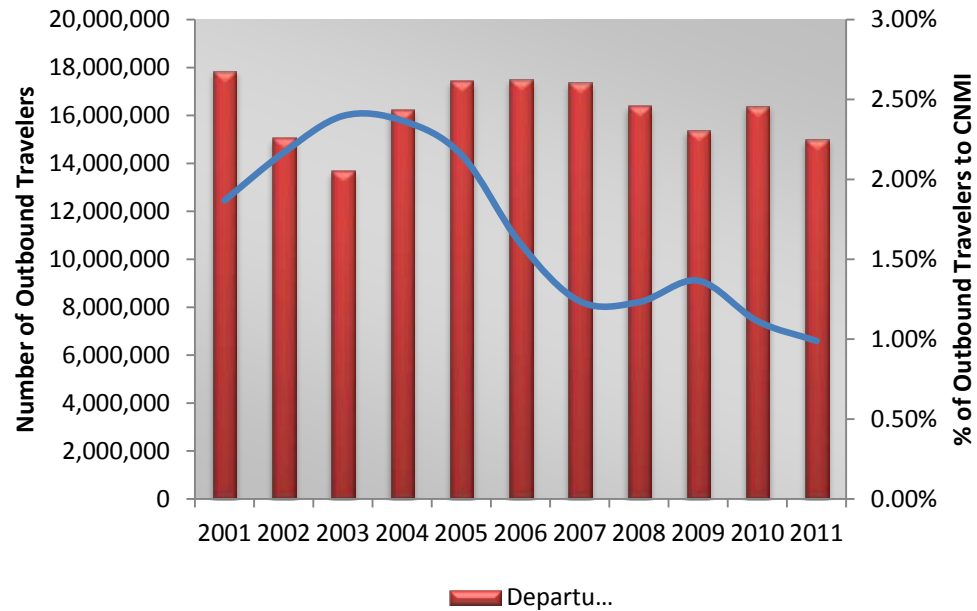


Figure 10: Japanese Outbound Travel, FY2001 – FY2011

Japan market characteristics

Due in large part to the 25-year Japanese Administration of the Northern Marianas, there is a natural affinity by the indigenous islanders to Japanese culture. Japanese is spoken in many hotels and other establishments, which were built by Japanese investors. The Northern Marianas are a relatively well-known vacation destination that is safe, close, and reasonably affordable. Responses on visitor arrival forms provide important data regarding Japanese tourists:

- **Frequency of Visit:** More than 40% of all Japanese visitors are repeat visitors to the islands. This is and always has been the highest repeat visitor rate of any nationality group visiting the islands.
- **Travel Arrangements:** The majority of Japanese tourists come via packaged tours. Approximately 59% stated that they booked their travel as a packaged tour. Business travel was the second highest percentage of travel arrangements at 12%. Figure 11 provides a breakdown of how Japanese travelers categorized their travel arrangements.

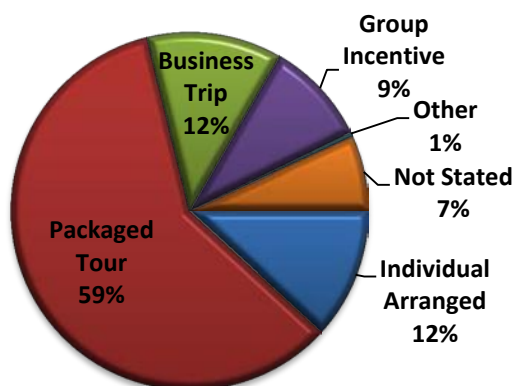


Figure 11: Japanese Travel Arrangements to the Northern Marianas FY2006 – FY2010

- **Travel Influencers:** Japanese visitors cited travel agents as their number one travel influencer when choosing to visit the islands. The close proximity, climate, and prior trips were motivating factors.
- **Activities:** Japanese tourists represent the largest scuba diving market for the islands. Approximately 25,000 of Japanese visitors per year from 2006 to 2010 stated that diving was included in their travel plans. By comparison, only about 1,000 Korean visitors per year and 200 Chinese visitors per year during this same period said that diving was included in their travel plans. After diving, the Japanese respondents cited golf and company trips as their second and third ranked activities.

2011 Exit Survey

Over the years, the MVA has conducted surveys of Japanese visitors as they have exited the islands in order to gather demographic data and detailed feedback. From May through October of 2011, an Exit Survey of 951 Japanese visitors was conducted in the departure lounge of Saipan International Airport by MAI. Survey respondents were chosen at random by Japanese-speaking survey takers.

A vast majority of respondents to the survey said they were extremely or very satisfied coming to the Northern Marianas at 80% for Saipan, and over 70% for the islands of Tinian and Rota. The average number of repeat visits was 4.4 trips, with more than 50% of these visits within the past two years. Some 94% of the visitors said the main purpose of their trip was pleasure/vacation, with the second largest number coming for sports at 7.3%. All other purposes, including honeymoons, weddings and business were under 1%.

The leading source of information for Japanese about traveling to the islands was travel agencies at 50% (Figure 12). The Japanese are highly experienced travelers, with 68% indicating that they had traveled many times internationally, including trips to Guam (48%), Hawaii (37%), and the U.S. (29%). More than half of all visitors came on travel packages that included air fare, hotel, meals and optional tours, while 41% said they booked a package that did not include tours.

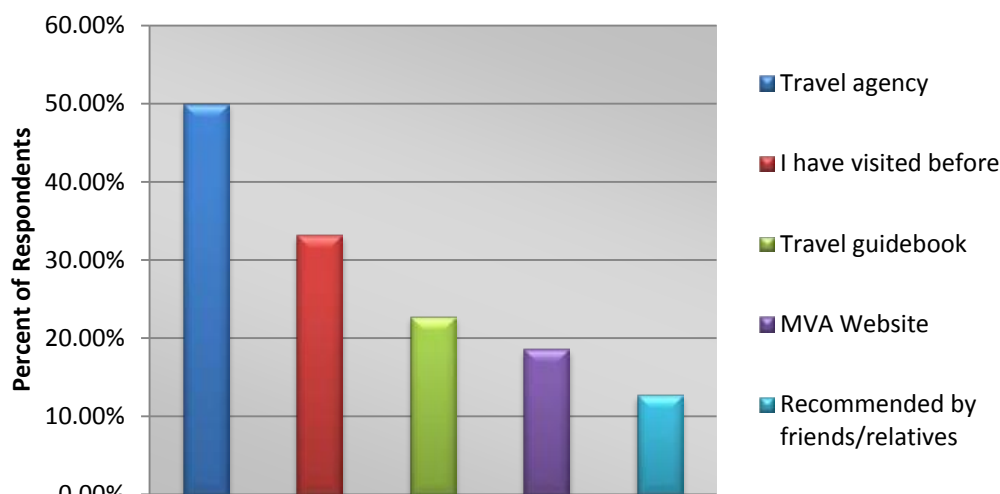


Figure 12: Japanese Visitors - Top 5 Information Sources, FY2011

What activities are Japanese tourists most interested in?

The 2011 Exit Survey asked three key questions to gauge the interests of different nationalities of tourists. The answers from Japanese visitors demonstrated a high interest in activities that provide an opportunity to enjoy the islands' tropical climate and nature. One question provided a choice of 20 possible reasons for coming to the Northern Marianas and respondents were invited to check all that applied to them. Table 4 ranks the 10 most popular responses.

Table 4: Top 10 Reasons for Japanese to Visit the Northern Marianas

		Respondents
1)	Tropical climate, sea, beach	84%
2)	Inexpensive travel cost	33%
3)	Nature activities	32%
4)	Short travel distance	23%
5)	Shopping	22%
6)	Scuba diving	20%
7)	Safe place to visit	19%
8)	Visit a historical area	9%
9)	Golf	8%
10)	Festival or special event	3%

The average number of optional tours that Japanese visitors said they participated in was 1.6. The top 10 activities they said they participated in while visiting are shown in Table 5:

Table 5: Top 10 Activities Japanese Visitors Chose

		Respondents
1)	Snorkeling	57%
2)	Island tour	52%
3)	Water sports on the beach	50%
4)	Managaha tour	41%
5)	Spas in a hotel	26%
6)	Scuba diving	26%
7)	Waterpark	18%
8)	Jungle tour	13%
9)	Sunset dinner cruise	11%
10)	Mt. Tapachau Tour	10%

To help the islands in focusing investments in destination enhancements and new products in the future, survey respondents were asked, “What types of attractions do you think there should be more of in Saipan, Tinian and Rota?” The top 10 responses are shown in Table 6, and once again, nature activities drew the most interest. Japanese visitors also showed their desire to learn more about the local culture by stating their interest in food, music, dance and opportunities to meet local people.

Table 6: Top 10 Activities Japanese Visitors Would Like to See More Of

		Respondents
1)	Nature/scenic attractions	79%
2)	Marine / sea life exhibit	35%
3)	Shopping	35%
4)	Bed & breakfast hotels	27%
5)	Local food	27%
6)	Activities for children & families	27%
7)	Local music & dance	23%
8)	Interpretive displays of history	20%
9)	Open market / night market	20%
10)	Activities where I can meet locals	17%

Although these activities did not make the top 10 list, more than 15% of the respondents also indicated that they would like to see more sporting events; 14% showed an interest in “green environment exhibits.”

In questions regarding their satisfaction with the destination, Japanese tourists were asked to rate their tour guide experiences, island services and a wide variety of attractions on Saipan,

Tinian and Rota. Satisfaction levels for tour guides were generally over 70%. The highest ratings for activities and attributes of the islands included Managaha island tours (88%), beaches (87%) and scuba diving (86%). The activity respondents expressed the least satisfaction with was “night-time activities” at 39%.

Visitor perceptions and concerns

Japanese visitors that responded to the 2011 Exit Survey took the time to write in numerous comments. Some of the most frequent comments were translated as follows:

- The islands need new attractions
- Immigration lines at the airport are too long
- Facilities and beaches need cleanup
- Many closed buildings give an impression of desolation; streets are dark at night
- Aggressive solicitation in certain areas is bothersome
- Interest was expressed in seeing more “island-style” or “American-style” businesses

Key points and recommendations

- The drop in tourism from the islands’ largest market is due to the major decline in seat capacity and instability in scheduled Japan-Saipan air service. The level of air service is affected by a lack of destination marketing in Japan. Air service must be supported by visitor demand created by marketing, and then sustained by airline profitability on the route.
- Airline profitability in serving the Northern Marianas is affected by cost factors which are discussed in the Transportation section of Chapter 4. In general, high load factors must be achieved in order for the airlines to realize a return on investment. Once again, seats will not be filled without adequate marketing.
- The Northern Mariana Islands will always have the advantage of being close in proximity to Japan, and the tropical climate will continue to be a major attraction. However, the closure of some tourism attractions, the decline in commercial areas and lack of new attractions was a common concern of Japanese tourists in the 2011 Visitor Exit Survey. This was also a frequent comment of Japanese tour companies and other travel industry stakeholders throughout the interviews for this Master Plan. Periodic refreshment of hotel facilities, attractions, services and marketing is necessary for the Northern Marianas to remain a competitive visitor destination versus other locations that have similar tropical appeal.
- The primary attractions for the majority of Japanese tourists who come to the islands are nature-based. Therefore, a focus should be on developing and promoting new activities that prominently feature nature or natural themes.
- Japanese visitors are highly conscious of environmental quality. Great care should be given to sustainability of marine and land-based resources. Maintenance and the appearance of tourist areas such as Garapan and visitor sites throughout the islands must be properly maintained.

KOREA

A solid market with greater opportunity

Korean visitors began coming in small numbers to the Northern Marianas in the early 1980's, and then increased rapidly after the lifting of outbound travel restrictions in 1989. Over the years, many Korean-owned businesses were established and became stakeholders in the economy of the islands. These businesses helped create momentum in promoting the islands to their own countrymen. Today, Korea is the second largest tourist market for the Northern Marianas, accounting for approximately 31% market share of the total arrivals in FY 2011.

In large part due to the close proximity, stable air service, visa free entry and Korean business investments, the islands are fortunate to have Korea as a stable visitor market. The importance of air service has been very significant to the growth of Korean tourists: as of 2011, Asiana Airlines served the market with two daily flights direct from Korea with two other flights on four day schedules, all originating out of Incheon/Seoul.

Strategic role of golfing tourism

In a strategic investment, Korean investors from Kumho Asiana purchased the largest golf resort on Saipan, the 36-hole Laolao Bay Golf Course in 2007. The company subsequently invested \$54 million in renovations, luxury facilities, and a new hotel. The 54-room luxury hotel was opened in 2009 and was sold to Dae Woo Corporation in 2010. Koreans have also invested in the largest waterpark hotel – the Saipan World Resort, purchased by the Hanhwa Resort Company in June 2010 after a \$25M expansion by World Corporation in 2003. Korean companies also own numerous office buildings, retail stores, restaurants and land tour companies.

These developments exemplify the success developers can achieve when they match products, namely golf courses and hotels, and family-oriented resorts, to the expectations of tourist segments they understand well, i.e. serious golfers and vacationing families. It is also notable that this has been achieved despite dwindling marketing investments by the MVA due to the CNMI government's budget crisis (*see Chapter 4*).

Although the MVA's marketing has been reduced, aggressive marketing by Asiana, as well as Korean-owned hotels have helped increase the level of Korean visitors. Over the past decade, the Korean market increased in strength from 63,046 visitor arrivals in FY2001 to more than 100,000 annual arrivals beginning in FY2007 (Table 7 below).

MARKET HIGHLIGHTS

Total visitors in 2011: **106,483**

Market share of CNMI visitors:
31%

Ave. length of stay: **4 nights**

Repeat visitors: **15.5%**

Traveling with spouse: **67.3%**

Traveling with children: **37.2%**

Age of children: **2-12 years old
(68.8%)**

On-island expenditure without
hotel expense: **\$568.73 / Visitor**

Table 7: Korean Arrivals in CNMI, FY2001 – FY2011

FY	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Arrivals	63,046	75,934	79,851	69,480	65,049	80,764	98,403	116,710	92,995	108,079	106,483
Change	-	20%	5%	-13%	-6%	24%	22%	19%	-20%	16%	-2%
Note				Drop in air service					Global Financial crisis		Japan triple disaster
104,534 Average Arrivals											

Figure 13 below illustrates the growing arrival trends since FY2001. The year 2009 dipped with global economic conditions and fears regarding the “H1N1” virus.

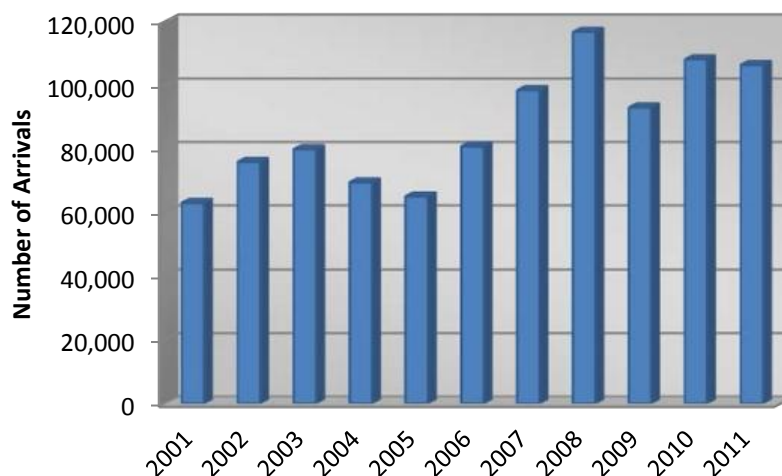


Figure 13: Korean Arrivals to the Northern Marianas FY2001 – FY2011

The seasonality of Korean arrivals to the islands typically peaks during the winter months (December through February) and late summer (July and August). (See Figure 14) July is traditionally a month for package tours. The slowest months tend to be April, May, and June, with another slow period from September to November. During slow seasons, airline schedules often decline, which intensifies the “valleys” in tourism during these periods.

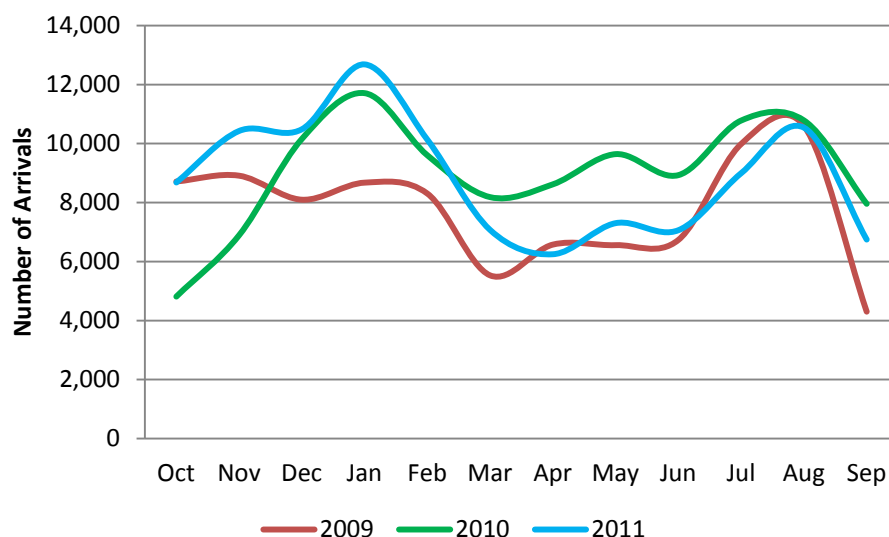


Figure 14: Seasonality of Korean Arrivals in the Northern Marianas, FY2009 – FY2011

Table 8 below demonstrates the fragile nature of tourism after a major regional event. For the first five months of FY2011, Korean tourists showed increases over FY2010 arrivals. Following the Tohoku earthquake in Japan on March 11, 2011, arrivals decreased every month in the second half of the fiscal year.

Table 8: Korean Arrivals in the CNMI, FY2010 vs. FY2011

Month	2010	2011	% Change
Oct	4,813	8,681	80%
Nov	6,892	10,428	51%
Dec	10,157	10,485	3%
Jan	11,710	12,685	8%
Feb	9,603	10,133	6%
Mar	8,185	7,072	-14%
Apr	8,619	6,249	-28%
May	9,643	7,303	-24%
Jun	8,931	7,064	-21%
Jul	10,782	8,997	-17%
Aug	10,786	10,540	-2%
Sep	7,958	6,746	-15%
Total	108,079	106,483	-2%

Korean outbound trends show robust growth

As shown in Table 9 below, overall outbound travel from Korea has more than doubled since 2001. Since FY2006, Korea outbound travel has consistently been above the 10 million traveler mark, peaking in FY2007 and FY2011. The Global Financial Crisis of 2009 greatly

affected travel during that year and total outbound travel decreased by approximately 27%. Korean outbound travelers have shown double-digit growth every month since the end of 2009. This has reportedly been due to rising consumer confidence, which in turn has boosted overseas travel. The most popular outbound destinations are China, Japan, Thailand, the United States, the Philippines, Singapore and Vietnam.

Table 9: Korean Outbound Travel, FY2001 – FY2010

Year	Outbound Travelers (in Millions)	% Growth
2001	5.98	-
2002	6.83	14.1%
2003	6.93	1.4%
2004	8.50	22.8%
2005	9.89	16.3%
2006	11.04	11.7%
2007	13.08	18.4%
2008	12.92	-1.2%
2009	9.48	-26.7%
2010	11.73	23.8%
2011	13.08	11.5%

A close, tropical destination for Koreans to honeymoon or enjoy a holiday with their families, the Northern Marianas typically maintains a market share of approximately 1% of all Korean outbound travelers (Figure 15 below). In FY 2009, arrivals to the islands increased, even though overall outbound travel from Korea decreased in that year. This was the result of the purchase of the Laolao Bay Golf Course by Kumho Asiana and the increase in both marketing and new flights of Asiana Airlines to support their investment. At the same time, a number of resort hotels stepped up their marketing in Korea.

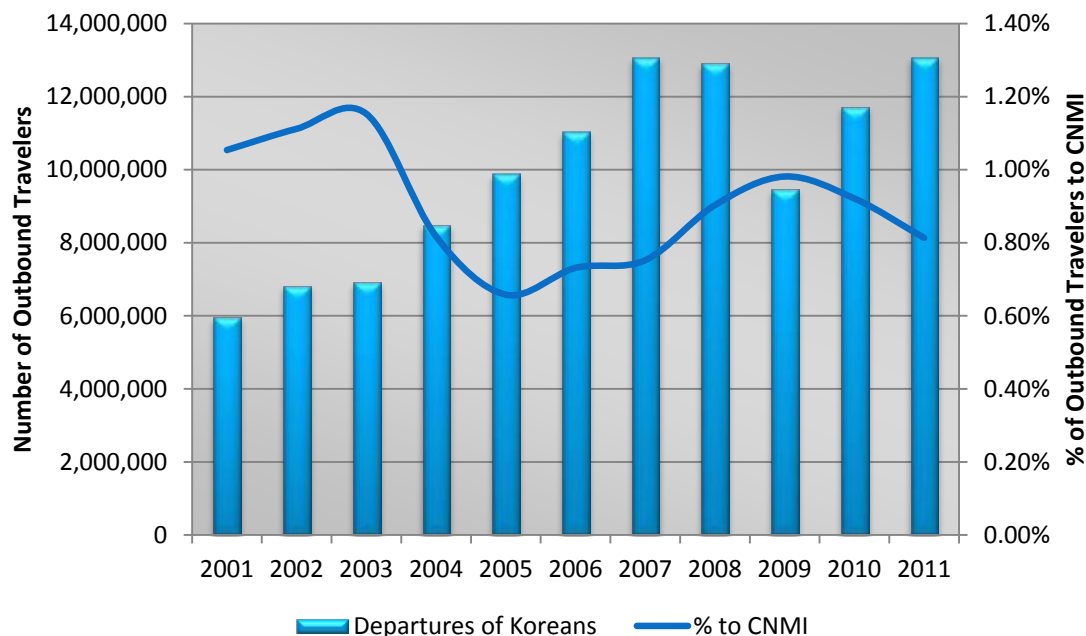


Figure 15: Korean Outbound Travel, FY2001 – FY2011

Korean market characteristics

Korean citizens have resided in and visited the Northern Mariana Islands since the Japanese occupation of the islands in the early 1900's. In addition to the close proximity to Korea which is only 3.5 hours flying time to Saipan, the islands are familiar with Korean culture. The Korean language is spoken in many establishments. Koreans also have strong ties to the islands because of the investments of small and large Korean businesses.

The following highlights describe Korean visitors to the islands from 2006 to 2010 according to the government arrival forms that are required of all incoming visitors:

- A majority of Korean tourists to the islands are newcomers: 74% stated that they were visiting for the first time, while nearly 19% stated they were repeat visitors.
- A large portion of Koreans tourists come to the islands on package tours. Nearly 42% stated that their travel plans were arranged as part of a tour, while 37% were individually arranged. Figure 16 below provides a breakdown of the travel arrangements visitors reported.

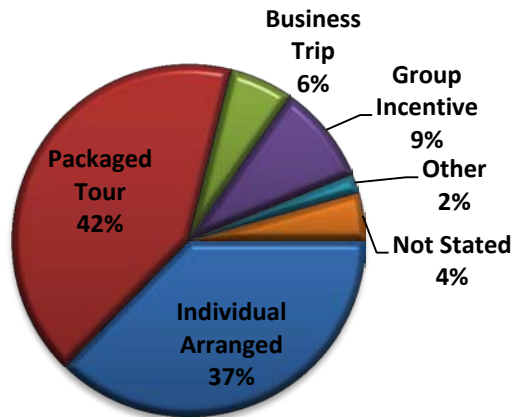


Figure 16: Korean Travel Arrangements to the Northern Marianas FY2006 – FY2010

- Dominant motivations: Korean vacationers tend to be leisure-focused and favored water-based activities and golf.
- Honeymooners: Korean tourists represent the largest honeymoon market for the islands. Approximately 4,000 Korean tourists per year said that they traveled to the islands for honeymoons over the 2006 to 2010 period.
- Golfers: The importance of golf as the second largest market cannot be understated, with this activity cited by approximately 3,600 Korean tourists per year.
- Scuba divers: The dive market is approximately 1,000 Korean tourists per year.

Key concerns of Korean stakeholders

Korean tourism stakeholders who were interviewed in connection with this Master Plan almost unanimously expressed concerns regarding the lack of marketing and the low visibility of the islands in Korea. They also noted the lack of new attractions and declining nightlife in the islands. It was pointed out that nightlife is especially important to golfers. Wealthy Korean tourists in their 50s and 60s include retirees, couples and business owners; these visitors enjoy spas and golf, but find little else to do in the islands.

Tourism executives also expressed concerns about abandoned or unmaintained buildings that have become vacant, particularly in Saipan and Rota. They stated that because Koreans care a great deal about environmental quality, abandoned buildings are considered unsightly.

Businesses operating land and sea tours in the islands were also concerned about the perceived value tourists were getting for their money, citing examples of extreme price pressure, high mark-ups, and even “price gouging.” In the islands, as in some other markets, package tours offered to Korean consumers are developed on the basis of price rather than on quality.¹³ Unless this problem is resolved, industry leaders fear that dissatisfaction amongst Korean tourists may rise.

¹³ Australia and Thailand have experienced similar problems and are attempting to deal with them through government policy intervention, recognizing the potential long-term negative effect on tourist satisfaction.

The perception among stakeholders is that Korean tourists who do not speak English are highly discouraged from touring on their own, resulting in an artificially-created dependence upon tour guides. Stakeholders further explained that an apparent problem with pricing may in part be due to the structure of the Korean tourism industry. Unlike other markets – most notably Japan, with which the islands are most familiar – many Korean-owned tour companies located in the islands are small and undercapitalized. They have little or no business connections with outbound tour operators in Korea. Because of fierce competition, tour companies are reputed to charge high prices for optional tours and to pressure the operators of attractions to offer large discounts in exchange for continued business. Additionally, in an effort to earn more, many tour guides have made arrangements with stores and restaurants for commissions on sales.

For several years, industry stakeholders including the Hotel Association of the Northern Mariana Islands (HANMI) and Asiana Airlines have recognized these problems and requested that the CNMI government intervene by creating regulations regarding the operation of tours and certification of tour guides. This is a common best practice in some other jurisdictions, including Guam. However, questions have persisted as to how far to regulate private businesses. In the absence of local government involvement, it appears that the Korean tourist market is suffering from the lack of transparency in pricing and the perception that they are not getting an adequate value for their spending. This is evidenced by the lower levels of Korean visitor satisfaction as voluntarily reported in the 2011 Exit Survey, especially when compared to the surveys of other nationalities.

2011 Exit Survey

To gather feedback from Korean visitors, an Exit Survey of 724 Korean visitors was conducted in the departure lounge of Saipan International Airport. This was the first time that Koreans had been surveyed since 2003. The respondents represented 2.1% of the 34,363 total Koreans arrivals from July through October 2011.

Some 65% of visitors said they are extremely or very satisfied coming to the islands. For those that were coming back to the islands for a repeat visit, the average number of visits was 2.8, with just over 50% of these visits within the past two years.

The two top reasons to come to the islands were pleasure/vacation at 81.3%, with the second largest number coming for honeymoons at 14.9%. All other purposes, including sports, business, weddings and meetings/conventions were under 1%.

The leading source of information for Koreans about traveling to the Northern Marianas was travel agencies at 55.7%, with websites (MVA Korea 21.1% and other websites 19.4%) showing high. Recommendations from friends were at 20%, demonstrating the importance of word of mouth referrals. The source of travel information is illustrated in Figure 17 below:

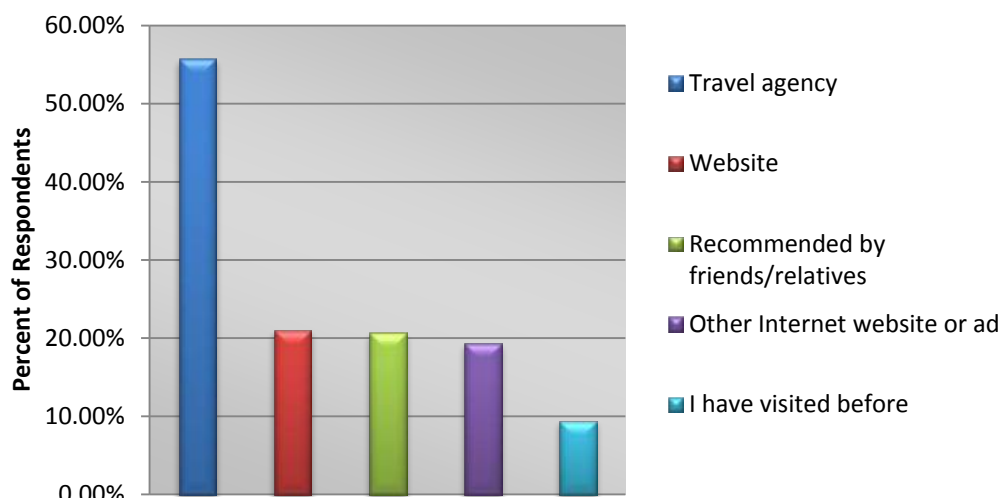


Figure 17: Korean Top 5 Information Sources, FY2011

Many Koreans are experienced travelers, with more than 40% indicating that they had traveled internationally, including trips to Guam (12%), Hawaii (6%), and the U.S. Mainland (13%). More than 73% of all visitors came on packaged tours that included air fare, hotel, meals and optional tours.

What are Korean visitors most interested in?

The 2011 Exit Survey asked three key questions to gauge visitor interests. The answers demonstrated that Koreans are most interested in activities that give them an opportunity to enjoy the islands' tropical climate and nature. Also of high importance is proximity to their home country and safety. The top 10 reasons to visit were as follows (figures represent the percentage of respondents that marked each choice):

Table 10: Top 10 Reasons for Koreans to Visit the Northern Marianas

		Respondents
1)	Tropical climate, sea, beach	67%
2)	Nature activities	37%
3)	Short travel distance	17%
4)	Safe place to visit	17%
5)	Scuba diving	10%
6)	Honeymoon	8%
7)	Inexpensive travel cost	5%
8)	Shopping	5%
9)	Wedding	4%
10)	Golf	3%

The average number of optional tours that Korean visitors participated in was 2.6. The top 10 activities they said they participated in were as follows:

Table 11: Top 10 Activities Korean Visitors Chose

		Respondents
1)	Snorkeling	70%
2)	Managaha tour	72%
3)	Island tour	58%
4)	Waterpark	50%
5)	Water sports on the beach	39%
6)	Jungle tour	36%
7)	Scuba diving	30%
8)	Sunset dinner cruise	27%
9)	Fishing	26%
10)	Mt. Tapachau tour	20%

On the question, “What types of attractions do you think there should be more of in Saipan, Tinian and Rota?” The top 10 list included the following and showed some significant differences from Japanese tourists. Korean respondents showed their interest in local culture by selecting “local food,” “open market / night market,” “activities where I can meet locals” and “interpretive displays of history” in their top choices. The top 10 activities they said they would like to see more of are shown in Table 12:

Table 12: Top 10 Activities Korean Visitors Would Like to See More Of

		Respondents
1)	Local food	38%
2)	Open market / night market	32%
3)	Bed & breakfast hotels	25%
4)	Activities for children & families	25%
5)	Hiking trails	24%
6)	Nature / scenic attractions	23%
7)	Shopping	22%
8)	Outdoor camping / ecolodge	20%
9)	Activities where I can meet locals	15%
10)	Interpretive displays of history	12%

In questions regarding their satisfaction with the destination, Korean tourists rated their tour guide experiences, island services and a wide variety of attractions. Satisfaction levels rating their tour guides were over 66% on questions regarding their level of comfort, knowledge of the guides, and communication ability with the guides. The highest ratings for activities and attributes of the islands included beaches (83%) Managaha island tours (81%), waterparks (77%) Mount Tapachau tours (77%), general cleanliness of the islands (74%), sunset dinner cruises (72%), and safety of the destination (71%).

Of all the nationalities of tourists surveyed, Korean visitors expressed the greatest number of “average” ratings in overall satisfaction. A significant number of price dissatisfaction ratings were given a wide variety of activities. In essence, Korean visitors perceive the destination as expensive, a finding that is consistent with stakeholder comments and a prior MVA survey conducted in 2003.¹⁴

Korean visitors spent an average of \$568.73 per person in on-island expenditures, the lowest of all nationalities according to the survey. The lower expenditure level could be a reflection of any of several factors: 1) a high percentage of family parties traveled with small children for whom they were charged a discounted rate on tours; 2) visitors spent less due to dissatisfaction with prices; 3) visitors may have had less disposable income for vacationing. Exchange rates and the state of the Korean economy can also have an impact on visitor spending from time to time.

Visitor perceptions and concerns

Many Korean tourists took the time to write in comments on the 2011 Exit Survey. These were translated as follows:

- Cleanliness and aesthetics of the islands are important. This includes water quality.
- Air fare costs are high.
- The immigration experience in Saipan International Airport is too long.
- Concerns regarding optional tours related to quality and price versus value. The overall knowledge and communications/hospitality attitude of tour guides needs improvement.
- Visitors would like to see more nightlife and shopping for such items as authentic locally-made souvenirs.
- Repeat visitors noticed that there were no new attractions and would like to see more activities.
- Tourists noted the lack of cultural activities and opportunities to mix with the local community.
- Visitors would like to experience “American style” chain hotels
- Korean visitors travel with their computers and expect wireless Internet in hotels.
- Visitors noticed the lack of street lights and many closed and abandoned buildings, as well as the lack of renovations in some hotels.

Key points and recommendations

- The Korean market is one of the most promising key markets for tourism growth in the Northern Marianas. In addition to the close proximity, there are no visa impediments with Korea as the country was recently added to the U.S. Visa Waiver program in 2008.
- To grow the Northern Marianas’ market share of outbound Korean travelers, there must be more destination marketing in Korea. Korean businesses in tourism recommended that the MVA seek innovative ways to increase its marketing activity, particularly through the use of the Internet and social media.

¹⁴ MVA conducted a survey of 300 Korean tourists at Saipan International Airport in October 2003, performed by Market Research and Development, Inc.

- Of all the Northern Marianas' primary markets, Koreans have the highest Internet use and rely on this form of media for travel information and recommendations. To be most effective, the web presence of the islands should be continually updated using a full range of online tools and social media.
- There is only one Korean air carrier serving the islands as of 2011; therefore, it is essential that the CNMI government maintain a close working relationship with Asiana Airlines. The government should continue to seek ways to help increase the airline's profitability in serving the market.¹⁵ For long-term sustainability of this air service, the government may need to consider incentives to stabilize year-round schedules and service from secondary cities.
- Of all nationalities of visitors to the islands, Koreans expressed the lowest overall satisfaction with both quality and pricing of tours and attractions. Tourism stakeholders requested that the CNMI government intervene on the issue and put in place tour standards as well greater transparency in pricing. While it is generally not advisable for governments to interfere in pricing, one possible means of ensuring that fair prices are charged to tourists would be for the MVA to post on its website sample itineraries, indicating typical prices ranges one could expect to pay for different types of tourist attractions and activities.
- Greater emphasis must be placed on quality of the tour experience. For long-term sustainability, the industry must invest in training local residents to increase the number of qualified tour guides who can speak the languages of tourists. Many other successful tourist destinations have regulated standards for the hiring and certification of tour guides, with requirements that such jobs be reserved for citizens.

¹⁵ The issue of airline yield encompasses many different costs. Please see the Transportation section of Chapter 4 for more information.

CHINA

World's fastest growing outbound tourism market

For the past decade, one of the most substantial growth and diversification opportunities for tourism has been the China market. Just a short flight from the Northern Mariana Islands, China has a population of over 1.34 billion people¹⁶ and is the second largest economy in the world after the U.S.

With its growing economy and resulting increase in disposable income, China has generated remarkable volumes of outbound tourism -- already reaching a level of more than 57 million outbound tourists annually. This is the fastest-growing market in the world, and in fact, it is estimated by the United Nations World Tourism Organization (UNWTO) that China will become the largest outbound market with 100 million overseas travelers by the year 2020. In 2011 alone, there were 10 million more outbound Chinese travelers, so it is no wonder that destinations around the world are working to attract Chinese tourists, which are now spending an estimated \$48 billion overseas annually.

MARKET HIGHLIGHTS

Total visitors in 2011: **46,451**

Market share of CNMI visitors: **14%**

Ave. length of stay: **4 nights**

First-time visitors: **96%**

Traveling with spouse: **39.5%**

Traveling with children: **18.1%**

Age of children: **7-18 years old (77.8%)**

On-island expenditure without hotel: **\$681.40 / Visitor**

CNMI's strengths as a destination for Chinese visitors

By comparison to the rest of the U.S., the Northern Mariana Islands have certain advantages in welcoming Chinese tourists. First, the islands are the closest U.S. destination to China with an arrival time of four to six hours, depending upon the departure point. Currently sponsored by two island-based firms, there are direct charter flights from Guangzhou (population 9 million), Shanghai (17 million) and seasonally from Beijing (12 million)¹⁷.

A highly-coveted status earned while the CNMI government still controlled its own immigration, the islands were the first U.S. location granted Approved Destination Status with China in 2005. This offered the islands a legally-recognized opportunity to promote the islands in China as a destination for Chinese tourists. The MVA and two tour companies with affiliated resort hotels in the islands established marketing offices in China.

On November 28, 2009, the authority of the CNMI to welcome Chinese and Russian tourists was removed when the U.S. Department of Homeland Security took over immigration control under U.S. Public Law 110-229. The "federalization" law which had been passed by U.S. Congress in 2008 transferred immigration control and created a Guam-CNMI visa waiver program. The law included language to the effect that the U.S. would consider for such visa

¹⁶ U.S. Central Intelligence Agency, World Fact Book, July 2011 estimate

¹⁷ 2009 figures

waivers any country for which the Northern Marianas had received “significant economic benefit” prior to the 2008 passage of the law.

In a response to this, the CNMI government -- as well as officials from Guam -- formally requested consideration of China and Russia for the visa waiver program by federal officials. These countries had never before been granted visa waivers in any other American state or territory.

The MVA presented testimony and economic statistics to the federal government that demonstrated that Chinese and Russian tourists contributed 11% of the Northern Marianas’ visitor arrivals and 18% of the overall visitor spending, or nearly \$196 million in the island economy.¹⁸ (Of this, Chinese tourists represented 10% of the arrivals and 13% of the spending.)

Visa waiver or parole program

Although a permanent visa waiver has not been granted for these nationalities, in December 2009, the U.S. Secretary of Homeland Security recognized the impact on the economy and granted the Northern Marianas a “parole system,” under which a temporary visa-free entry system is allowed for Chinese and Russian tourists. While this system is subject to change, it is currently a significant competitive advantage over other destinations which require U.S. visas. As of this report, Guam has yet to be granted its request for a visa waiver for China; however, visa parole authority was granted for Russia in November 2011.

Despite the Northern Marianas’ unique advantages, as shown in Table 13 below, Chinese arrivals to the islands declined in 2008 and 2009 by an average of 17% from the approximately 41,000 Chinese arrivals in 2007. This was due in large part to the anticipation of the closing of the CNMI government-controlled visa system. The charter flights which had been providing China-Saipan service were temporarily suspended in at the end of November 2009 until the parole system was put in place.

Table 13: Chinese Arrivals in the Northern Marianas FY2004 - FY2011

FY	2004	2005	2006	2007	2008	2009	2010	2011
Arrivals	29,238	32,441	38,385	41,024	31,095	27,859	40,712	47,738
Change	-	11%	18%	7%	-24%	-10%	46%	17%

¹⁸ “The Significant Economic Benefit of Chinese and Russian Tourists,” a 2009 testimony prepared by the Marianas Visitors Authority for federal officials.

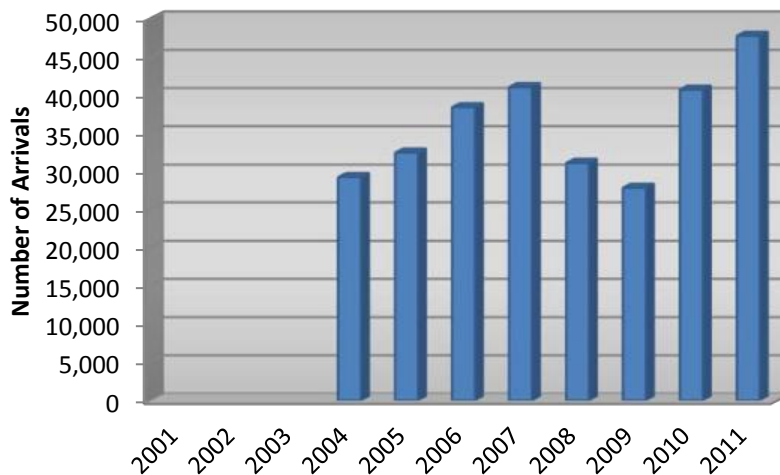


Figure 18: Chinese Arrivals FY2004¹⁹ - FY2011

Since federalization of immigration, air charter services have operated with a high degree of seasonal fluctuations. In FY2011, the flights began to stabilize and arrivals increased by 17% to 47,738. The Shanghai-Saipan flights increased to four times weekly in November 2011, and Beijing flights were forecasted to move from a seasonal to year-round schedule. As a result of additional flight capacity, a forecast by the sponsoring tour agents is that as many as 70,000 to 80,000 Chinese tourists will visit the CNMI in calendar year 2012.

Seasonality of Chinese visitor arrivals

As shown in Figure 19 below, the seasonality of Chinese arrivals peaks during the winter months and the celebration of the Lunar New Year (January and February, which is also the period of the Chinese “Golden Week” or “Spring Festival”). The market peaks again in July-August, with a short autumn holiday period in October that coincides with China’s National Day. Arrivals are typically the lowest during the spring/early summer months (March through May). In 2010, the largest dip in arrivals was seen in December when the flights were temporarily suspended after the takeover of immigration by U.S. Homeland Security from the CNMI government.

¹⁹ Data for FY2001 – FY2003 arrivals was not available. Charts include these years for cross referencing with other markets.

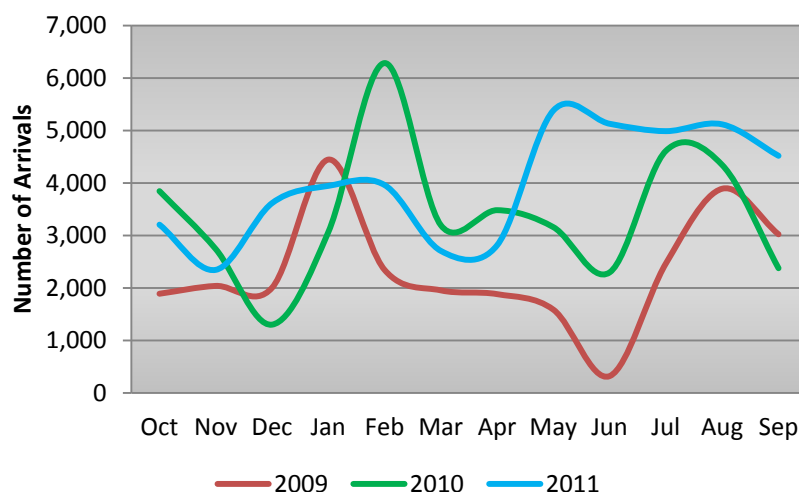


Figure 19: Seasonality of Chinese Arrivals to the Northern Marianas FY2009 – FY2011

As shown in Table 14²⁰ below, overall outbound travel from China has steadily increased since 2001. This is evidence of a robustly growing middle class that is seeking international travel experiences for the first time.

Table 14: Chinese Outbound Travel for FY2001 – FY2011

Year	Outbound Travelers (in Millions)	% Growth
2001	12.13	15.9%
2002	18.60	53.3%
2003	20.22	8.7%
2004	28.85	42.7%
2005	31.00	7.5%
2006	34.52	11.4%
2007	40.95	18.6%
2008	45.85	12.0%
2009	47.66	3.9%
2010	57.39	20.4%

Figure 20 provides the Chinese outbound trend from 2001 to 2010. From 2004 through 2007, the number of Chinese visitors to the islands increased as overall outbound travel from China increased. However, in 2008 and 2009, the relative market share (shown in blue) of outbound Chinese travelers to the islands decreased while the overall outbound travel from China increased. This was due to the transition of immigration control and temporary loss of air service.

²⁰ Source: China National Tourism Organization

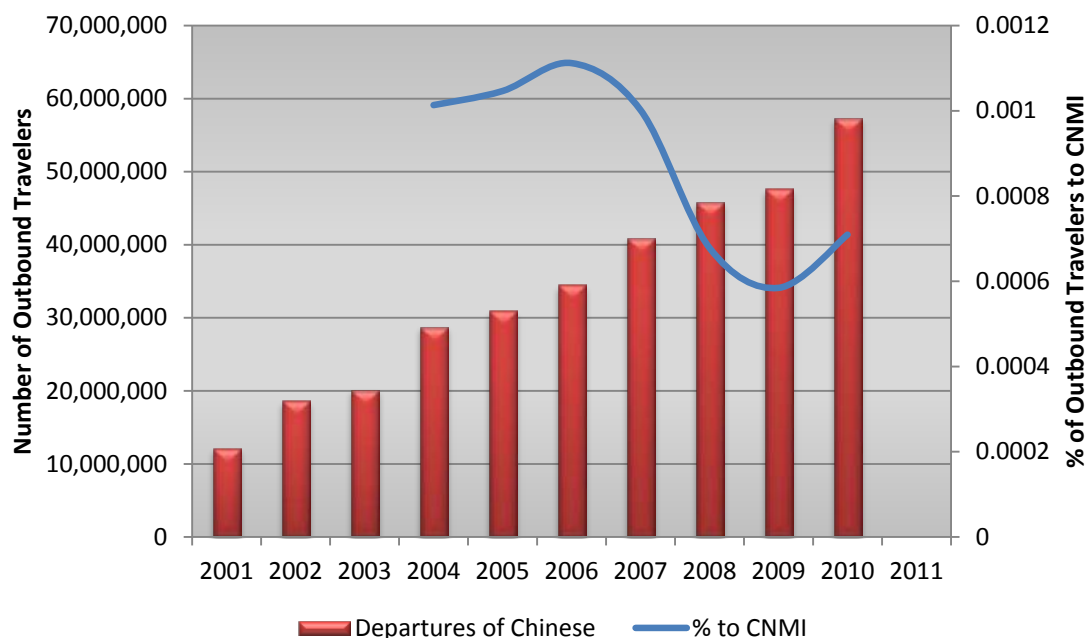


Figure 20: Chinese Outbound Travel FY2001 – FY2010

Competitive destinations

According to many international travel data sources, countries all over the world are now courting Chinese tourists in an effort boost their economies. Not only has the number of outbound tourists continuously increased, but Chinese tourist spending has begun to outpace many other international markets.

Major competitive destinations for Chinese tourists in the Asia-Pacific region include Phuket, Thailand; Bali, the Maldives; Singapore; Japan; Korea; the Philippines and Jeju Island. The Maldives Islands are a popular destination for Chinese honeymooners, where the number of Chinese tourists has increased by approximately 15% every year since 2008. In 2010, over one million Chinese tourists visited Phuket, Thailand and are forecasted to reach 1.5 million in 2011. China is the first country to reach over one million tourist arrivals to Thailand. Over one million Chinese tourists also visited Singapore in 2010, a 25% increase from 2009, mainly due to the opening of two new casinos. Japan and Korea each received more than one million Chinese tourists in 2010: 1.5 million and 1.3 million respectively. Approximately 200,000 Chinese tourists visited the Philippines in 2010.

One of the earliest “western” countries to welcome Chinese tourists, Australia became China’s third largest outbound market with over 431,000 tourists annually in 2009. Chinese tourists have spent more than \$9 billion in the Australian economy, according to news reports. Chinese visitors have easy access, with 77 regular flights per week on Chinese airlines direct from China to Australia.

Since the U.S. and China signed a Memorandum of Understanding (MOU) in 2007, this has been a rapidly growing market of travelers to the U.S. as well. The MOU allows Chinese leisure travelers to visit the US in group tours. From January to June, 2011, total visitation of Chinese citizens to U.S. destinations increased by 32% or 110,000 people. According to the U.S.

Department of Commerce, tourists from China overall to the U.S. could see a 232% increase over the next six years, despite the high cost and inconvenience of visa applications.²¹

China market characteristics

Leisure vacations have now become main stream for Chinese outbound travelers. The majority of outbound Chinese travelers are taking overseas trips for the first time. They are young couples, professionals and families who are looking for opportunities to experience other cultures. They care about convenient transportation, quality accommodations and service, safety, and getting good value for what they pay.²²

Northern Marianas tourism industry stakeholders have found that Chinese tourists want to enjoy a wide variety of outdoor activities during their vacations. Chinese tourists are interested in sightseeing to scenic and historical sites. They also have a high interest in shopping for genuine designer goods because they cannot be assured of authenticity when they purchase the same brands in China.

Figure 21 below shows the breakdown of how Chinese travelers to CNMI made their travel arrangements, according to their responses on government arrival forms.

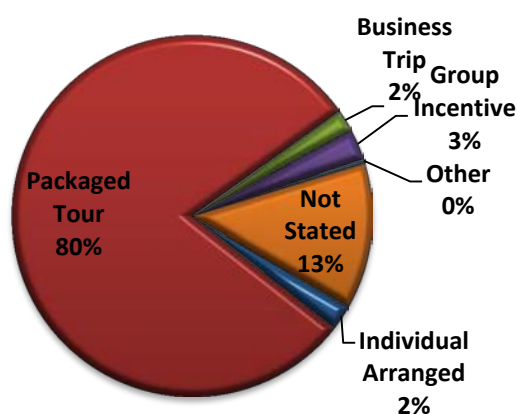


Figure 21: Chinese Travel Arrangements to the Northern Marianas FY2006 – FY2010

2011 Exit Survey

The 2011 Exit Survey was the first time the MVA formally surveyed Chinese tourists. A total of 504 visitors completed the voluntary survey in the Chinese language between May and October of 2011. For 70% of the visitors who completed the survey, this was their first opportunity to travel to an American destination. For 37% of the respondents, this was their first international trip outside of China.

Chinese visitors stayed for an average of 1.92 nights on Saipan and 2.09 nights on Tinian for a total of 4 nights. There were no visitors to the island of Rota. The main purpose of travel was “pleasure” at 91%.

²¹ “Australia Tells its Chinese Tourists ‘Welcome!’ (and Bring Your Checkbooks),” Time World, September 26, 2011.

²² 2010 Travel Questionnaire of National Holidays, a survey of over 12,000 Chinese tourists conducted in 2010 by the Chinese National Tourist Association.

The primary sources of information about visiting the islands were travel agencies at 49%, recommendations of friends at 26%, the MVA China website at 24%, and company travel department at 12%.

Of all nationalities, Chinese visitors took the most tours. Some 42% said they purchased full package tours (air fare, hotels, meals, optional tours) for their trip. Nearly 98% had a tour guide and participated in an average of 3.8 optional tours.

What activities appeal to Chinese tourists?

The 2011 Exit Survey asked three key questions to gauge the interests of Chinese tourists. The answers demonstrated that they were highly interested in activities that give them an opportunity to enjoy the islands' tropical climate and nature, as shown in Table 15:

Table 15: Top 10 Reasons for Chinese to Visit the Northern Marianas

		Respondents
1)	Tropical climate, sea, beach	82%
2)	Nature activities	71%
3)	Scuba diving	28%
4)	Shopping	11%
5)	Short travel distance from China	9%
6)	Visit a historical area	7%
7)	Casino	6%
8)	Fishing	6%
9)	Inexpensive travel cost	5%
10)	Honeymoon	5%

The average number of optional tours that Chinese visitors participated in was 3.8. The top 10 activities they said they participated in while visiting the islands as presented in Table 16:

Table 16: Top 10 Activities Chinese Visitors Chose

		Respondents
1)	Tinian tour	86%
2)	Managaha tour	86%
3)	Island tour	80%
4)	Snorkeling	77%
5)	Jungle tour	72%
6)	Mt. Tapachau tour	68%
7)	Water sports on the beach	62%
8)	Casino	59%
9)	Marpi tour	57%
10)	Submarine ride	41%

Chinese visitors showed their interest in marine and nature activities, as well as a desire to learn more about the local culture by indicating their interest in local food and opportunities to meet local people (Table 179).

Table 17: Top 10 Activities Chinese Visitors Would Like to See More Of

		Respondents
1)	Marine / sea life exhibit	43%
2)	Nature / scenic attractions	41%
3)	Night clubs	39%
4)	Open market / night market	28%
5)	Local food	27%
6)	Activities where I can meet locals	26%
7)	Sports events	21%
8)	Green environment exhibits	20%
9)	Shopping	20%
10)	Bed & breakfast hotels	19%

In questions regarding their satisfaction with the destination, Chinese tourists were asked to rate their tour guide experiences, island services and a wide variety of attractions. The highest ratings for general attributes of the islands included cleanliness (89%), beaches (85%) and safety of the destination (86%). The activity for which visitors expressed the least satisfaction was night-time activities at 27%. In terms of tours and attractions, Chinese visitors rated over 20 activities with widely varying degrees of satisfaction.

Visitor perceptions and concerns

Chinese tourists took the time to write in many comments on the 2011 Exit Survey form. The most common comments are summarized as follows:

- Late evening and early morning flight times are inconvenient, particularly for families with young children
- The airport arrival is uncomfortable due to the amount of time to clear Immigration
- Some aging hotel facilities need renovation
- Tap water is not of high enough quality for drinking and bathing
- Communications should be improved with Chinese-language signs and service personnel
- Some beaches and streets are not as clean as expected
- More night-time activities are needed
- Chinese tourists would like to see more restaurant choices with better quality and more seafood
- There should be more shopping opportunities for “genuine” items
- Visitors would like to see more cultural heritage sites and have more cultural experiences
- Improve tour guide knowledge and information sharing
- Internet connectivity is needed in more locations
- Tours are too rapid-paced. Visitors would like to spend more time on Managaha Island.

Key points and recommendations

- The China market, because of its close proximity, phenomenal outbound tourist growth and increasing spending power offers a tremendous opportunity for diversification and growth. This is the largest growth opportunity of any market within the Northern Marianas' reach.
- The current visa parole system for entry into the islands is a unique, but temporary competitive advantage which is subject to change by the Secretary of Homeland Security. By comparison, the U.S. visa for Chinese tourists is far more difficult, time consuming and expensive to obtain. Therefore, the possibility of suspension of the parole system at any time could cause a crippling loss of interest for this vital source of tourists. The ultimate goal should be attainment of a permanent visa waiver program for Chinese tourists.
- The islands are a "testing ground" for a visa waiver program. It is essential that the Northern Marianas continue to provide a safe environment for Chinese tourists to enjoy their vacations and then return home without incident.
- In recent years, fluctuations in air service have significantly slowed the China market's growth. The goal should be scheduled year-round air service. Direct day time service from all key markets would best serve the interests and convenience of tourists, and in the longer term, enable a flow of independent travelers to grow.
- As with all other countries for which the islands receive tourists, more marketing is needed to increase demand. In addition to traditional marketing, Internet and social media is increasingly being used in China. The MVA should continue to sponsor a Chinese language website with fresh content as an inexpensive means of reaching potential tourists.
- The scarcity of Chinese speaking service staff, Chinese-language signs and information materials poses a challenge to full enjoyment of the islands by these tourists.
- Chinese tourists are patronizing virtually every tour and attraction in the islands, spreading multiple economic benefits. However, tourists are commenting that they would like to have slower-paced tours and more free time to relax.
- Cuisine and restaurants are very important to Chinese tourists, who would like to enjoy more variety, more local food, and more seafood.
- With the anticipated growth of the China outbound travel market, and especially given rising expectations of quality and value by increasingly sophisticated tourists, attention should be paid to tour quality and the overall value of the visitor experience. A regulated system of tour guide certification with training and transparency in pricing would benefit visitors.

RUSSIA

A lucrative emerging market

After China, the Russian Federation is one of the fastest-growing outbound tourist markets, and this trend seems set to continue. Russians are enthusiastic travellers with pent-up demand to travel abroad. The massive rise in middle incomes is resulting not only in growth, but also in diversification of Russian outbound tourism, creating significant demand for new destinations and different types of vacations.

According to the United Nations World Tourism Organization (UNWTO), these long-staying tourists rank ninth in the world as the highest spending market. In the year 2010, Russia showed the strongest outbound growth of all countries at 26%.²³ This followed a 13% drop in 2009 during the global economic crisis.

With a population of 142 million people, only approximately 15% of Russians had traveled abroad as of this report. Today, Russians are increasingly looking to travel, and it is no longer just the upper class that can afford it; the middle classes are increasingly more eager to escape Russia's cold weather. Most tourists are independent travellers seeking to experience the world. What is their top preference in a vacation? Russian tourists are looking for sun, fun and wellness in tropical environments with luxury accommodations on the beach. They typically plan their vacations with little notice, and expect excellent service when they arrive.

The importance of visa waivers

Because Russian travelers tend to book their trips at the last minute, destinations which do not require visas or that offer visas upon arrival have a significant advantage. The Northern Marianas therefore provides a unique vacation opportunity for Russian travellers as the closest tropical beach destination – one of only two American locations that they can enter without a U.S. visa obtained in advance at a U.S. embassy.²⁴

From the year 1998 when Russian tourists first started visiting Saipan from Far Eastern Russia, a CNMI government visitor entry permit secured and sponsored by a hotel was an easy travel advantage. This system designed for Russian tourists continued for 12 years while the island government controlled its own immigration.

On November 28, 2010, the U.S. Department of Homeland Security took over immigration control under U.S. Public Law 110-229. After a six-week break at the end of that

MARKET HIGHLIGHTS

Total visitors in 2011: **5,092**

Market share of CNMI visitors: **1.5%**

Ave. length of stay: **12.4 nights**

Repeat visitors: **23.5%**

Traveling with spouse: **57.1%**

Traveling with children: **57.1%**

Age of children: **2-6 years old (80%)**

On-island expenditure without hotel:
\$4,129 / Visitor

²³ World Tourism Organization World Tourism Barometer 2010 and 2011.

²⁴ The island of Guam received visa “parole” authority by the U.S. government to welcome Russian tourists beginning in January 2012.

year, DHS once again allowed the islands to welcome these tourists through a federally-controlled “parole system.” Confidence by Russian tourists in this discretionary system has gradually started to return.

There are significantly less Russian tourists than other markets in the islands; however, each tourist contributes significantly to the local economy. It is not unusual for Russian tourists to book the finest hotel rooms and stay up to three weeks. Russian tourists are known to travel inter-island during their long stays. They are known to patronize virtually all organized tours, rent vehicles or use taxis, and shop for designer goods and American household items.

As shown in Table 18 below, Russian arrivals to the islands increased from 2007 to 2009 at an average rate of 69%. However, arrivals decreased by 36% in 2010 as the economy of Russia felt the effects of changing global economic conditions just at the same time as word spread about the change in immigration procedures. FY2011 arrivals increased by 18% over FY2010, accounting for 1.5% of the total arrivals to the Northern Marianas.

Table 18: Russian Arrivals in the Northern Marianas FY2006 – FY2011

FY	2006	2007	2008	2009	2010	2011
Arrivals	1,571	3,043	6,178	6,801	4,329	5,092
Change	-	94%	103%	10%	-36%	18%
Note					Confusion regarding visas	

The year 2008 showed a jump in arrivals by 103%. This was due in part to heavier marketing during the period leading up to the federalization of immigration. Upon news of the new immigration law affecting the islands, many Russian visitors thought that this might be their last opportunity to visit the destination without a U.S. visa. The year 2010 dipped sharply as the islands lost the marketing momentum following the immigration takeover and following the temporary uncertainty that occurred before the launch of the new visa parole system.

The MVA first began tracking the number of Russian visitors in the year 2005; therefore, there is no data for 2001 through 2003 and 2004 is a partial year only. Figure 22 below illustrates that Russian arrivals to the islands peaked in 2008 and 2009 prior to changing global economic conditions.

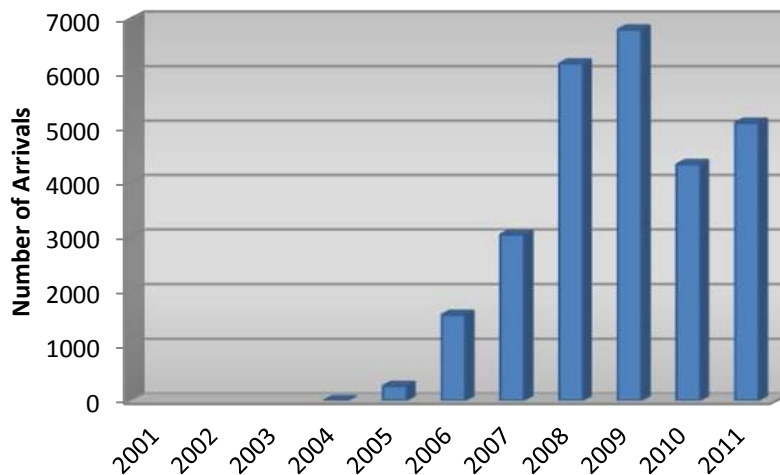


Figure 22: Russian Arrivals in the Northern Marianas FY2006 – FY2011

As shown in Figure 23, the seasonal trend peaks during Russia's cold winter months of December, March, and then again during school vacation in June. Arrivals are the lowest in the month of September, with only around 200 arrivals during that month. One reason for seasonal declines has been the availability of air seats during peak holidays for the Northern Marianas' dominant markets, namely Japan, Korea and China. Arrival data by month was not available for FY2004.

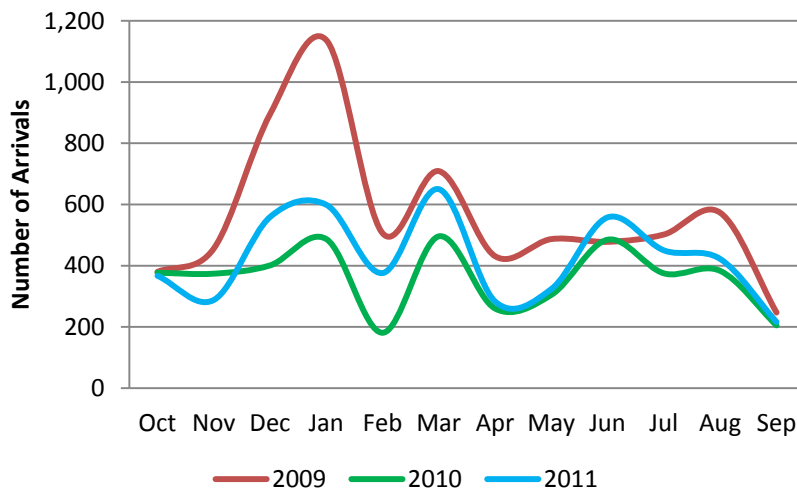


Figure 23: Russian Seasonality of Arrivals in the Northern Marianas FY2009 – FY2011

The critical role of Asiana Airlines

A key airline in developing the Russian market has been Asiana Airlines, although most seats are usually booked by a high number of Korean tourists on packaged tours. What this means is that Russians must compete for seats on this on-line connecting service from the Far

East Russian cities of Khabarovsk, Vladivostok and Yuzhno Sakhalinsk through Seoul's international airport at Incheon, Korea. Russians often book first class seats, which helps increase the airline's profitability; however, often times even these seats are not available with the Russian tourists' customarily short planning.

Other routes to the Northern Marianas are through China via charter flights, or through Japan on Delta Airlines or Asiana, but seat availability is also limited. Good results have also been achieved in prior years through direct charter flights during selected holiday periods operated from Far Eastern Russian cities.

Given their tendency for spontaneity, a major competitive issue for attracting Russian tourists to the islands is that increasingly more destinations are offering direct air service. This puts the Northern Marianas at a major disadvantage compared to directly-served destinations like the Philippines and Malaysia, which also serve as convenient gateways to other tropical destinations with luxurious tropical accommodations and services – namely the Maldives Islands, Bintan, Bali and Phuket. The Northern Marianas' small share of the Russian market is in some danger as more tropical destinations than ever before are arranging direct air services, effectively canceling the islands' other advantages.

Table 19 below provides a comparison by month for FY2010 and FY2011, showing that after the first two months of FY2011, arrivals were above FY2010 for all months. Overall arrivals were up 18% in FY2011 when compared to FY2010.

Table 19: Russian Arrivals in the Northern Marianas FY2010 vs. FY2011

Month	2010	2011	% Change
Oct	377	367	-3%
Nov	374	288	-23%
Dec	401	559	39%
Jan	487	599	23%
Feb	181	376	108%
Mar	496	650	31%
Apr	260	283	9%
May	305	324	6%
Jun	485	558	15%
Jul	375	450	20%
Aug	383	422	10%
Sep	205	216	5%
Total	4,329	5,092	18%

Outbound travel trends

As shown in Table 20 below, overall outbound travel from Russia increased between 2001 and 2008 by an average of 10.9%. Russia's gas- and oil-rich economy increased family incomes leading to a growth in outbound travel. However, in 2009 during the world economic downturn outbound travel from Russia decreased significantly. The ruble dropped heavily

against both the U.S. dollar and the euro in the last quarter of 2008 through 2009. Russian family budgets were also tight because of salary cuts and layoffs. The ruble has steadily recovered against the U.S. dollar since September 2009, but more vigorously against the euro.

Table 20: Russian Outbound Travel FY2001 – FY2010

Year	Outbound Travelers (in Millions)	% Growth
2001	17.9	-2.4%
2002	20.3	13.4%
2003	20.5	1.0%
2004	24.4	19.0%
2005	28.5	16.8%
2006	29.1	2.1%
2007	34.3	17.9%
2008	36.5	6.4%
2009	29.9	-18.1%
2010	35.6	19.1%

In 2010, Russian overall outbound departures increased substantially. Data on Russian visitor arrivals to the islands was only available beginning in FY2006. As illustrated in Figure 24²⁵ below, Russian visitors to the Northern Marianas continued to increase in 2009, even though overall Russian outbound travel decreased. However, as Russia's overall outbound travel in 2010 increased, the islands lost market share because of the change in immigration rules and the temporary perception that Russians would not be allowed to enter the islands without a U.S. visa. The islands lost marketing momentum during this period of uncertainty.

²⁵ European Travel Commission Russian Market Insights

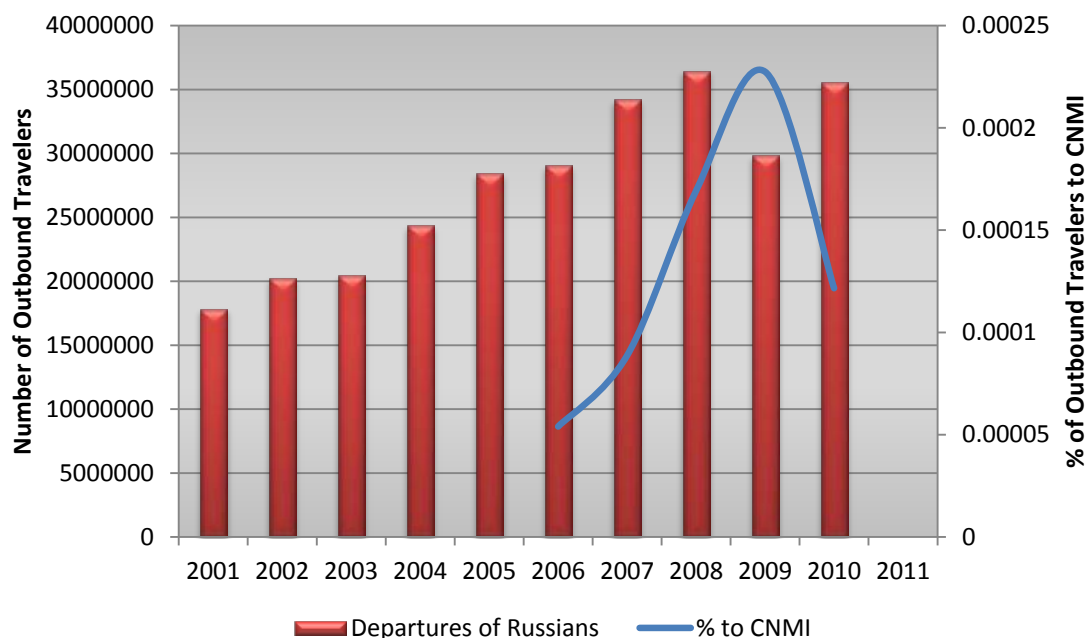


Figure 24: Russian Outbound Travel FY2001 – FY2011

The Republic of the Philippines is a top competitor for attracting Russian visitors. Travel to these islands is inexpensive and easily accessible. The CNMI also competes with China, South Korea, Thailand, Japan, Malaysia, Vietnam, Bali and the Maldives.

Russian market characteristics provided by stakeholders

Throughout the study period for this master plan, personnel of hotels and tour companies that serve Russian tourists provided additional insights as to the characteristics and concerns of these visitors. Key comments and recommendations are noted below:

- In greatest demand are destinations with warm climates and outstanding beaches that offer luxury accommodations including spas and sports facilities and fine dining.
- Destinations with history and cultural attractions sell well with Russian tourists.
- Russians are extremely susceptible to novelty. If a destination is marketed and differentiated in to “elite” audiences as the new holiday “hotspot,” it has a better chance of succeeding in the Russian marketplace.
- Some 80% of Russian vacations are sold in the last four weeks before departure. Therefore, easy visa access, visa upon arrival, or visa waiver is very important to keeping this market.
- Russian visitors prefer branded hotels and all-inclusive trips.
- More than 70% of Russian tourists pay for their holidays in cash and are brand-conscious shoppers.
- Significant numbers of Russians go abroad to learn foreign languages and other skills.
- A common concern is difficulty in communicating as most Russian tourists do not speak any English.

2011 Exit Survey

In October 2011, the first formal survey of Russian tourists was conducted through an exit survey administered in the Russian language at Saipan International Airport. A convenience sample of 35 Russian visitors completed the Exit Survey. This represented 7% of the 485 total Russian arrivals for the same month. Below are some results of the survey, which highlight the interests of Russian tourists.²⁶

Table 21: Top 10 Reasons for Russians to Visit the Northern Marianas

		Respondents
1)	Tropical climate, sea, beach	100 %
2)	Safe place to visit	23%
3)	Fishing	20%
4)	Visit a historical area	14%
5)	Shopping	9%
6)	Visit friends or relatives	9%
7)	Memorial service	6%
8)	Nature activities	6%
9)	Scuba diving	6%
10)	Honeymoon	3%

The average number of optional tours that Russian visitors said they participated in was 2.6. The top 10 activities they participated in while in the islands are shown in Table 22:

Table 22: Top 10 Activities Russian Visitors Chose

		Respondents
1)	Snorkeling	91%
2)	Submarine ride	83%
3)	Island tour	80%
4)	Mt. Tapachau tour	80%
5)	Water sports on the beach	80%
6)	Waterpark	74%
7)	Managaha tour	68%
8)	Fishing	68%
9)	Sunset dinner cruise	61%
10)	Cultural dinner show	50%

When asked what they would like to see more of, the respondents showed high interest in shopping, as well as activities that would give them an opportunity to experience more local culture and history (Table 23).

²⁶ Because this is the first time that Russian tourists have been surveyed and the sample size was small, repeat surveys should be conducted to verify results.

Table 23: Top 10 Activities Russian Visitors Would Like to See More Of

		Respondents
1)	Shopping	50%
2)	Nature / scenic attractions	47%
3)	Night clubs	40%
4)	Local music / dance	37%
5)	Marine / sea life exhibit	38%
6)	Open market / night market	37%
7)	Activities for children & families	33%
8)	Activities where I can meet locals	30%
9)	Interpretive displays of history	27%
10)	Local arts & crafts	27%

In questions regarding their satisfaction with the destination, Russian tourists expressed high satisfaction levels of over 70% on many of their vacation activities. It was obvious from their responses that they were trying virtually all of the major activities and attractions during their long stays in the islands.

Russian tourists also took the time to write in comments on the survey. Their primary concern was language barriers, saying they would like to see more Russian staff and local residents speaking Russian. They also noticed that there were no Russian television programs and that the CNMI Visitor's Channel was only in the Japanese language. Outside of the hotels, Russian tourists found little information available to help tourists get around the islands on their own.

Key points and recommendations

- Russia has been identified by stakeholders as a promising market due to the long stays and high spending habits of these tourists. Therefore, the Northern Marianas should seek ways to increase marketing investments in this country, focusing on the largest Far Eastern Russian cities with the shortest travel time to the islands. The Moscow area, because of its population size and affluence is another promising market area.
- Word of mouth as well as the Internet and traditional advertising are strong influencers in last-minute travel decisions for Russians. Because of MVA's budget limitations, the most efficient, lowest-cost marketing opportunity is through the Internet and social media. The islands should also continue to provide familiarization tours for travel agents and Russian travel media.
- The opening of visa parole authority for Guam for Russian tourists in January 2012 presents an opportunity for the Northern Marianas and Guam to jointly promote as a regional tourist destination. Because these visitors have longer vacation periods and typically high spending capacity, there is great potential for multi-island vacations. Guam and the Northern Marianas provide very different experiences that may appeal to Russian visitors who are looking for

more to do during extended vacations: Guam has more American-style shopping and night life, while Saipan, Tinian and Rota offer more nature experiences, historical sites and various types of year-round sports.

- For long-staying Russian visitors who choose to invest in vacation homes, the Northern Marianas offer a wide range of choices. Guam does not have the same availability of housing. Russians who own vacation homes in the Northern Marianas will have the opportunity visit Guam for shopping, thereby reinforcing the attractiveness of the multi-island vacation experience.
- The Northern Marianas must continue to be aware of increasing competition from other tropical destinations with easier air access, more marketing, luxury accommodations, high service quality and a wide range of attractions. For long-term growth of this market, similar investments in luxury accommodations should be made by the private sector.
- The Northern Marianas should seek opportunities to add direct flights from Russia, perhaps initially on a charter basis. At the same time, the CNMI government and/or MVA should work with the airlines to encourage adequate seat availability for late-booking Russians on scheduled connecting services via Korea, Japan and China.
- Russian tourists have reported generally favorable opinions of their vacation experience in the Northern Marianas. Many Russian tourists are highly independent in their exploration of the islands. Therefore, to better serve these tourists, an important focus should be on communications. More signs and information, as well as Russian-speaking service personnel should be made available in hotels and throughout tourist areas.
- Careful attention to public safety is important as this is the second highest reason for Russian visitors to come to the islands.

GUAM & U.S. MILITARY MARKET

A promising, but challenging market

A hub of shipping, transportation and U.S. military personnel for the region, the island of Guam is just a 56-mile flying distance to Rota and only 128 miles to Saipan. The economy of Guam is growing in anticipation of the planned expansion of U.S. military bases on the island. Guam's population has grown consistently on an annual basis, reaching an estimated 183,286 people as of July 2011.²⁷

With the planned realignment of thousands of Marines from Okinawa and their entourage of family members and thousands of workers to support the build-up, a high-side estimate according to the U.S. Department of Defense is that Guam's population could swell by as much as 45% within over the next decade. Many military contractors and new businesses hoping to capitalize on the growing economy have already set up offices on Guam, where construction has begun for the major build-up activities.

The sister island Guam has always provided a visitor market for the Northern Marianas, based on the movement of businesspeople and families that frequently travel back and forth between the islands of the Marianas. Add to this the increasing potential for R&R visits of thousands of military personnel and their families, as well as new businesspeople locating in the island, and the Guam-based market presents a good growth opportunity for the Northern Marianas.

Inter-island arrivals on gradual decline

For many years, annual arrivals from Guam to the Northern Marianas have hovered at around 17,000 visitors. In FY2011, arrivals dipped to 15,629, an 11% drop from FY2010's arrivals of 17,483. One explanation may be repeated mechanical problems with Cape Air, one of only two air service providers between Guam and Saipan. During a number of months of the year, this airline operating as *Continental Express* suspended many flights, reportedly because of problems with the propeller aircraft assigned to the route. This happened at times without prior notice to passengers, cutting confidence in the inter-island air service. Figure 24 below illustrates the arrivals to the Northern Marianas from Guam.

MARKET HIGHLIGHTS

Total visitors in 2011: **8,928**

Market share of CNMI visitors: **5%**

Ave. length of stay: **4 nights**

Repeat visitors: **54.8%**

Traveling alone: **30.9%**

Traveling with business assoc.: **26.8%**

Traveling on business: **43.3%**

On-island expenditure without hotel expense: **\$652.37 / Visitor**

²⁷ CIA World Factbook.

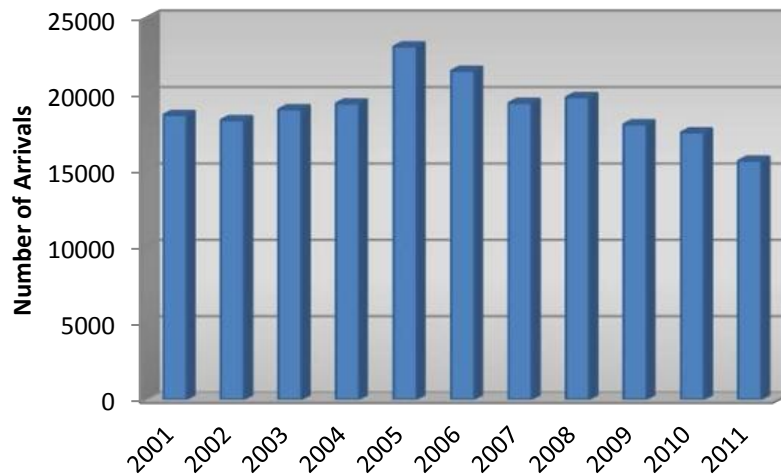


Figure 24: Guam Arrivals in the CNMI FY2001 – FY2011

According to the CNMI government arrival forms, the average stay of Guam residents in the Northern Marianas is four nights. Approximately 53% are repeat visitors.²⁸ In a typical month, approximately 1,330 visitors from Guam come to Saipan, while 150 visit Rota and 50 visit the island of Tinian. This average has no particular seasonality from month to month, unless there are special events in the Northern Marianas that attract group travel.

What does the Northern Marianas offer that's different than Guam?

Although the climate is virtually identical, Guam residents experience a different style of living than the Northern Marianas. The U.S. military maintains jurisdiction over its bases, which cover approximately 29% of the island's land area. Tourism in Guam centers on Tumon Bay, which has an urban feeling similar to a smaller version of Waikiki in Hawaii. American fast-food restaurants and popular retail chains are common in Guam's business and tourist districts. Although Guam also has golf courses, scuba diving, scenic, historical and cultural sites, the overall feeling of the island is more established and "American" than the slower, more international, nature-based ambiance of Saipan, Tinian and Rota.

For Guam residents, the Northern Marianas offer a fast getaway with different experiences on Saipan, Tinian and Rota. Saipan's resorts and business hotels are spread out from one another. A variety of sports activities compliments the scenery and small-town atmosphere. The Northern Marianas, as a part of the U.S. offers a safe location for American military personnel and their families to vacation. Passport-free travel offers added convenience.

Because nearly 50% of those traveling inter-island are coming to the Northern Marianas on business, the Guam market is particularly sensitive to changes in air service pricing and schedules. For the short flight to Rota which is actually visible from Guam, the \$250 round trip for air fare can be considered expensive. To and from Saipan, \$307 is the total cost for a round

²⁸ Survey results as reported from a 2011 Exit Survey taken at Saipan International Airport.

trip on the weekends.²⁹ At these price points, it may be difficult for the Northern Marianas to attract many families with children for a quick getaway, especially if the perception is that Saipan, Tinian and Rota offer the same types of visitor experiences as Guam.³⁰

Rota offers a quiet, pristine nature experience, ideal for scuba divers, honeymooners and families with young children. The islands of Rota and Tinian have legalized casino gaming, while Saipan has game rooms with poker machines. All three islands have excellent dive sites, hiking opportunities, and there are golf courses on both Rota and Saipan. The Northern Marianas has a year-round calendar of competitive sports activities, including bicycle races, triathlons and festivals. Each of these special events presents niche marketing opportunities (*see Chapter 3*).

Visiting military ships provide a much-needed boost

Because of the military bases in Guam and other military interests throughout the Pacific, the U.S. Navy has many working ships in the region. For security reasons, visitation schedules are seldom provided with more than a few days' advance notice; however, ships carrying military personnel and occasionally their family members visit Saipan throughout the year. During these three to five-day port visits, military personnel get off the ships and provide a much-needed boost to the Saipan economy. These arrivals are accounted for by MVA under the category of U.S. visitors and are combined with other American citizens.³¹

Since 1997, the Saipan Chamber of Commerce has kept a record of visiting military ship visits and has taken an active role in welcoming activities. The Chamber has developed an email newsletter that is sent in advance of ship visits, offering attractive military discounts at Chamber member establishments. Figure 25 shows the number of military personnel that have called at Saipan's port on an annual basis.³² There is no seasonality to the visits, which are scheduled at the convenience of the ships when they are in the area and can take time away from training or other missions for R&R.

²⁹ Prices based on average round trip air fare costs as of October 2011 for Cape Air and Freedom Air surveyed via websites.

³⁰ The Northern Marianas is scheduled to begin a \$15 per person Travel Promotion Fee in 2012; however, this will not affect holders of U.S. passports. It will make inter-island travel between Guam and the Northern Marianas more expensive for foreign travelers.

³¹ In FY 2011, 8,928 visitors came to the Northern Marianas from the U.S., down 8% from 9,713 visitors in FY 2010.

³² Arrivals for military personnel by ship are not included within the Guam arrival statistics, but are reported as U.S.-based arrivals. In the year 2010, there were a total of 9,713 arrivals from the U.S. In 2011, this dropped to 8,928.

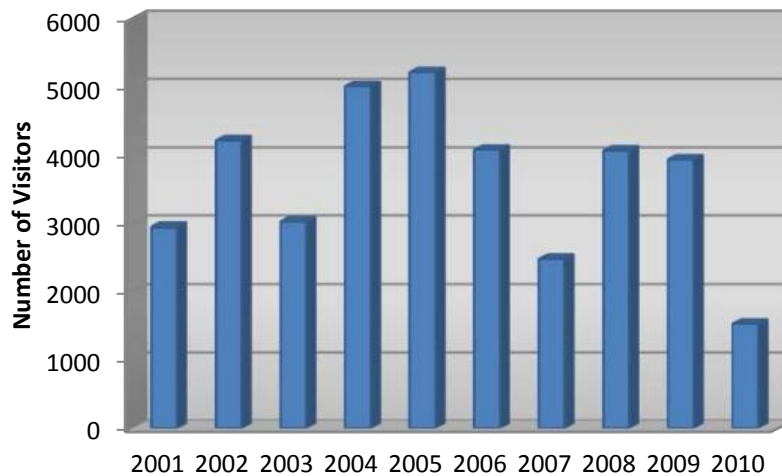


Figure 25: U.S. Military Arrivals in the Northern Marianas CY2001 – CY2010

To reach military personnel and their families, the MVA, several hotels and tour operators have done outreach through the military's Morale, Welfare and Recreation (MWR) organization in Guam, participating in annual travel shows. However, marketing of the Northern Marianas on the MWR's website (www.mwrguam.com) is limited and has no particular prominence as compared to other regional destinations in Asia and other islands in Micronesia which are further away.

2011 Exit Survey

From May through October of 2011, an Exit Survey of visitors departing for Guam was conducted in the departure lounge of Saipan International Airport. Guam-bound passengers were chosen at random and 99 agreed to fill out the survey.

Nearly half of these visitors came on individually-arranged trips, with one-third booking their travel over the Internet. The survey asked key questions to gauge the interests of these travelers. The answers demonstrated that most visitors came from Guam to the Northern Marianas on business or to see relatives, but also showed interest in beach and sea activities, shopping, and various types of outdoor experiences.

The answers to the 2011 Exit Survey from Guam visitors demonstrated a high business and family market. One question provided a choice of 20 possible reasons for coming to the islands and respondents were invited to check all that applied to them (see Table 24).

Table 18: Top 10 Reasons for Guam Visitors to Visit the Northern Marianas

		Respondents
1)	Tropical climate, sea, beach	48%
2)	Business trip	43%
3)	Visit friends or relatives	15%
4)	Golf	11%

5)	Scuba diving	8%
6)	Fishing	5%
7)	Shopping	5%
8)	Nature activities	4%
9)	Safe place to visit	4%
10)	Short travel distance	4%

Guam visitors showed a high level of satisfaction in most activities they participated in while in the Northern Marianas. The top 10 list of items Guam visitors would like to see more of demonstrated an interest in shopping, nature and adventure activities such as outdoor camping and “ecolodges” (Table 25). As with several other nationalities, Guam visitors showed strong interest in open market / night markets.

Table 19: Top 10 Activities Guam Visitors Would Like to See More Of

		Respondents
1)	Shopping	49%
2)	Nature / scenic attractions	34%
3)	Outdoor camping/ ecolodge	33%
4)	Bed & breakfast hotels	28%
5)	Open market / night market	25%
6)	Marine / sea life exhibit	22%
7)	Interpretive displays of history	21%
8)	Hiking trails	19%
9)	Activities for children & families	13%
10)	Activities where I can meet locals	12%

Key points and recommendations

Because of the close proximity, short travel time and the fact that the island economy is growing, Guam represents an excellent source market for the Northern Marianas. However, evaluating the weaknesses of the islands as a travel destination for Guam residents, it is evident that the focus should be on several things:

- The Guam market is time, price and convenience sensitive. Travelers book air tickets with short notice. Increasing the convenience and options in scheduling would likely help encourage more frequent travel, particularly among businesspeople.
- The high cost of inter-island air tickets is a deterrent for traveling businesspeople, families and military personnel. This is particularly true for leisure travelers who may compare the overall cost and value of a weekend in the Northern Marianas versus a

holiday in nearby Asian destinations which offer more choices in terms of activities, hotels and shopping.

- The MVA should organize more niche marketing efforts in Guam, providing reasons to come to the Northern Marianas for sports competitions, scuba diving, golf, festivals, casino gaming and romantic getaways.
- Because more than one-third of Guam visitors book their travel over the Internet in the English language, this presents a low-cost, convenient way for Northern Marianas tourism stakeholders to advertise. Social media should be included in on-line promotional efforts.
- The MVA should promote a close relationship with the U.S. military's MWR clubs to become a more well-known and recommended R&R site.
- For the future, the development of new adventure attractions, such as camping and ecolodges could help attract more Guam and U.S. military travelers to the CNMI. Results of the 2011 Exit Survey showed that this market has high interest in nature/scenic attractions and outdoor camping / ecolodges.



III. NICHE MARKETS

Giving visitors special reasons to come

The overall objective of niche marketing in tourism is to increase visitor arrivals and expenditures by attracting special interest visitors. Niche markets are typically attracted by the unique features, attributes and activities that are competitive advantages in a tourist destination. Some opportunities occur naturally and some are created; the successful niche marketer knows how to use both to encourage visitors to come to a destination.

Successful niche markets rarely develop to their fullest potential without planned, targeted marketing and public relations campaigns. In international tourism, there is some evidence that average daily spending for niche visitors is higher than it is for the typical visitors who go on vacation.

The *Northern Mariana Islands Strategic Initiatives for 2006-2010* provided a discussion of niche markets that offer special reasons for people to visit the islands. It discussed sports tourism, ecotourism, history, culture and heritage tours, honeymooners, education tours, the “silver” market, and U.S. military R&R.

Promising niche markets

Recognizing that the MVA’s marketing resources are severely limited, this plan does not address in depth each and every one of the many niche markets that the Northern Mariana Islands have the potential to attract. Instead, this chapter discusses key niche markets that already have significant momentum. These are the markets that have the most immediate potential for growth *with the least amount of investment and risk* over the next five years.

The most promising niche markets tend to be non-controversial in nature. They have had long-standing acceptance by the local community and current tourism businesses. These niches also relate favorably to the interests of the Northern Marianas’ current tourists as evidenced by voluntary responses to the 2011 Exit Survey. This chapter identifies three niches as key markets:

- Nature-based tourism (also referred to as “ecotourism”)
- Sports and adventure tourism
- History and cultural heritage tourism

The selection of just a few markets for in-depth review in the plan is not intended to discourage stakeholders from pursuing other niches.

Additional areas of opportunity

Casinos. There is significant investment ongoing and operational in the Northern Marianas casino industry with the Tinian Dynasty Hotel & Casino. This flagship attraction on the island of Tinian has provided a vital revenue

stream for the municipal government and essential transportation resources for the community since 1998. (*See Chapter 5 – Multi-Island Destination, Tinian and Rota sections*)

Although no casinos are operational on Rota as of December 2011, the island is also hoping to capitalize on this opportunity over the next five years. However, the current shortage and high cost of inter-island transportation, as well as the lack of marketing funds have severely hampered efforts to launch Rota's casino industry.

Discussions have been ongoing for several years as to whether casinos should be legalized on the island of Saipan. Proponents of the casino industry have sponsored numerous pieces of legislation. Local organizations and the media have conducted various polls to determine the will of citizens regarding legalizing gaming. The decision whether or not to allow casinos on Saipan has been made complicated by the fact that the casino industries of Tinian and Rota have yet to become fully established to the extent that the enabling legislation for each island originally intended.

Casinos are a draw for many locations throughout the world and often operate compatibly without impinging on other types of tourism in any material way. Whether or not the community and the CNMI government decide to invite casinos to operate on Saipan, the success of these businesses will require substantial private investment that will be subject to the same business conditions of other tourism businesses, but with even more regulation. If the Northern Mariana Islands are to become known as a casino destination in the future, this will need to be adequately marketed overseas.

In the 2011 Exit Survey, visitors of different nationalities stated that they would like to see more nightlife and new attractions in the islands. The opening of casinos on Saipan would provide some additional activity to help fulfill this need. However, when asked what the exiting visitors would like to see more of in the islands, casinos did not rank among the top 10 activities. This is most likely due to the fact that there was only one operating casino in the islands at the time of the survey and it was located on Tinian, which received only a fraction of the total visitors. Most visitors to the existing casino were Chinese tourists due to targeted marketing and tour packaging by the casino's parent company. The Northern Marianas are not currently marketed as a casino destination in other source countries. It is therefore quite natural that casinos were not on the minds of most of the current tourists. Additional surveys in the key source countries would better define the potential for casinos as a new visitor attraction for Saipan.

Educational Tourism. Educational tourism has been discussed in numerous public forums as a promising niche market for the islands. There are two types of "edu-tourism," which have completely different needs. Many school groups have visited the islands for short stays because of their safe, close proximity to Asia and Guam. These groups come to the islands to learn about history and nature, to participate in cultural exchanges with local students and to practice what they know of the English language while on vacation. Most school groups come for just a few days with chaperones and stay in hotels. These students are typically supported by tour companies that have offices on Saipan.

The other type of edu-tourism is long-staying Asian students who come to the islands to gain proficiency in speaking and writing the English language. Saipan offers a good alternative for foreign students who are able to enroll in the Northern Marianas College "ESL" (English as a Second Language) program, a concentrated language laboratory course that is offered in conjunction with other classes. Several private schools on Saipan also welcome elementary and high school level foreign students, who attend classes along with resident students. As of

November 28, 2009, foreign students must obtain U.S. student visas from the U.S. Department of Homeland Security, which can be obtained through certain pre-approved schools on Saipan.

In the 2010, there were over 900 foreign students on Saipan. According to an unverified estimate by one Saipan businessman, these long-stay foreign students and their visiting family members contributed at least \$20,000 per student per year into the local economy in private school or college tuition, apartment rentals, transportation, food and local purchases.³³

With such economic benefits, it would seem appropriate that the Northern Marianas should target growth in edu-tourism. Particularly for students below college age, however, the major limiting factors in growing the number of foreign students have been the lack of public transportation and the absence of dormitory-style facilities where students can live together in chaperoned environments.

Just as with other niche markets, the opportunity for foreign students to come to the islands must be marketed. Overseas “marketing” is primarily through word of mouth referrals by existing foreign students and their families. The Northern Marianas offers an educational advantage as the closest American destination to Asia, but it also competes with larger destinations like the Philippines that offer English courses in more elaborate school facilities, including some that even have resort-style amenities.

Other than marketing, there are additional business challenges for Saipan-based schools: rapidly rising costs of electric power, new CNMI government financial auditing requirements for private schools, and the high cost of teacher recruitment from the U.S. mainland affects the overall cost of operations. Most private schools do not have their own dormitories; however, with some current unused lodging capacity in Saipan hotels, and rising teacher unemployment in the U.S. mainland, there may be opportunities worth evaluating.³⁴

If more students of key Asian markets – primarily Korea and China -- are advised that they can register in approved courses of study, learn English, and live in a safe environment within the protection of U.S. laws, the Northern Marianas might greatly expand educational tourism in the future.³⁵ Private investors must take the lead in developing this niche market.

The *Overseas weddings and honeymoon market* has also been a good niche for the Northern Marianas over the years. However, most industry stakeholders conclude that the islands have lost their competitive edge in this niche, due to the fact that no new wedding facilities have been built in several years. There are many trendy wedding destinations that have become more competitive within the region. For example, Bali has become known as an exotic wedding destination, and neighboring Guam has many new wedding chapels throughout Tumon Bay.

Honeymoons continue to be a good market for the Northern Marianas, as evidenced by the number of Korean and Chinese visitors that said this was the reason they came to the islands in the 2011 Visitor Exit Survey. Attracting this niche does not require a major investment other than to provide a nice range of romantic activities for visiting couples and to market this in source countries. To encourage this niche, hotels and tour agents must market romantic venues

³³ This figure has never been verified by an economist and does not include multiplier effects.

³⁴ Many of the private schools in the CNMI already recruit ESL teachers from the U.S., but find this practice expensive.

³⁵ While Japanese students do go abroad, the number of students who actually reside in the overseas school locations long-term is less than Korean and Chinese students. This is reportedly due to cultural differences. Long-stay educational programs have not yet been marketed by CNMI schools for Russian students, most likely because of availability limitations of English-Russian speaking teachers.

and packaged honeymoon experiences. The MVA, hotels and tour agents can market by participating in major wedding and honeymoon travel shows in the region.

The **MICE market** (meetings, incentives, conventions and exhibitions) provides some business to Northern Marianas hotels that have banquet facilities. This niche is driven by the private investment of the hotels that have facilities and do their own overseas marketing. The limiting factors are the current capacities of air service which restrict the travel of large groups, as well as the capacities of hotel banquet rooms. Even with these limitations, this is still a valuable niche to cultivate because of the regular use MICE travelers make of these facilities and other on-island spending. Group business travel can significantly boost tourism in the seasons when vacation markets are weak.

The **Silver Market** (long-stay retirees) and **Snow birds** (long-stay visitors who are escaping cold weather climates) are two markets with good potential for the CNMI because of the beautiful tropical climate and close proximity to Asia. Many opportunities are now available for people to buy homes on Saipan, and a small number of Japanese, Korean and Russian tourists have already purchased houses and condominiums for long-stay vacation purposes. The China market also offers tremendous potential that can be tapped with the right investment and outreach.

The CNMI government is already engaged in marketing attractive public lands to large investors. The success of these markets in the future will depend on the vision of private investors to develop the right kinds of accommodations as best suited for such users. For retirees, the absence of public transportation, specialist medical care and assisted living services are the most important limiting factors. For all other markets, the key issue is a long-stay visa under the authority of U.S. immigration

The **U.S. military R&R** market is also discussed in Chapter 2 in a combined section under the key market of Guam and the U.S. Military. The U.S. military is not always addressed as a niche because it is a segment of visitors that comes to the islands for a wide variety of leisure activities. Saipan benefits from the visits of military ships that come into port sporadically for R&R visits. Security protocols of the U.S. military generally prevent advance notice and since these ships are on active duty, schedules are at the convenience of the ships. The best way to keep these ships coming is to continue to provide a safe, supportive and hospitably warm welcome. The CNMI Office of Veterans Affairs and Saipan Chamber of Commerce are already providing significant welcoming activities.

The military market based on Guam also offers additional opportunity (*see Chapter 2*) which is present now and could see major growth in the future. Growth is dependent upon the actual schedule and scope of the planned military buildup in Guam. The Northern Marianas provides an ideal, safe passport-free getaway vacation spot for American military families. The key limiting factors for this market is adequate marketing by the MVA, hotels and other island businesses in Guam, and the high cost of inter-island transportation. One solution may be innovatively-packaged air and hotel fares such as family plans, weekend excursion rates, etc. This and all the other niche markets above should be pursued for further future development.

NATURE-BASED TOURISM

World's fastest-growing niche market

It has been said that tourism, if done right, can make places better for humans and nature. This is certainly a worthy goal, and one that many people around the world believe quite strongly about. Nature-based tourism or “ecotourism” as it is commonly referred to in the Northern Marianas is one of the fastest-growing segments of tourism worldwide. It is a major business, earning an estimated \$77 billion of the global tourism market.³⁶

As a destination known for its beautiful tropical scenery, one of the most promising niche market opportunities for the islands is nature-based tourism. In fact, all of the Northern Marianas’ key visitor groups ranked nature and scenic activities within their top 10 reasons to visit in the 2010 Exit Survey. For visitors traveling from large Asian cities or Guam, coming to the Northern Marianas provides an opportunity to spend time in nature – both on land and under the sea.

What are the unique ways that destinations are sharing nature with tourists and what can be done to better capitalize on this niche market opportunity in the Northern Marianas? Are the islands a good ecotourism destination by world standards? What are the impacts of tourism on the ecosystem and are there proper controls in place to ensure that the islands nature-based attractions will remain in good condition for generations to come?

Before discussing the merits of growing nature-based tourism further as an important and promising niche market for the Northern Marianas, it is helpful to review definitions and standards. Nature-based tourism often involves travel to destinations where the outdoor environment and cultural heritage are the primary attractions. Among the most popular attractions are wild fauna, wild flora, geological features, hydrological features, natural landscapes and natural seascapes.

There are essentially two ways to experience nature in tourism: 1) by passively observing it for quiet enjoyment or learning and 2), by immersing one’s self in a natural setting for an adventure experience. Either of these types of tourism can be done with or without a paid guide.

A focus on personal growth and environmental responsibility

One of the goals of “green tourism” which is an off-shoot of nature-based tourism is to offer tourists insights and interpretation on the impact of human beings on the environment. The International Ecotourism Society (TIES) defines ecotourism as, “Responsible travel to natural areas that conserves the environment and improves the well-being of local people.” According to the Collaborative Partnership on Forests (CPF), which consists of 14 international organizations

³⁶ United Nations World Tourism Organization

including the United Nations Food and Agriculture Organization (FAO), the benefits of nature-based tourism for local communities are usually very high.

Because of the economic potential brought into a location by visitors, nature-based tourism often motivates destinations to maintain and protect forests, wildlife, and coral reefs. Residents and governments of successful destinations understand that their income is directly linked to the environment. Training is considered essential for jobs as tour guides and usually incorporates both conservation and safety standards. Sometimes training in how to properly care for a certain type of environment is incorporated into tours as a visitation requirement. In some ecotourism destinations, visitor capacity is controlled to help limit impacts to the natural environment.

Best practice in sustainable tourism: Jamaica

To address its own needs in promoting sustainable tourism, the island of Jamaica developed judging criteria to rate its ecotourism attractions.³⁷ In this island destination, each attraction is scored and ranked according to a strict definition that includes the following factors:

1. ***Reduced impact on the environment/environmental sustainability.*** In this factor, tourism that negatively impacts the environment may not be called ecotourism. Achieving no impact is almost impossible; however, having a low impact is considered environmental sustainability.
2. ***Interaction with nature.*** Ecotourism typically involves some form of physical activity in a natural setting. However, if a bus trip includes environmental education and visitor access fees contribute funding to the care of the area, this is acceptable ecotourism. Limits can be placed on the number of visitors to sensitive areas and railings or barriers can keep people out of areas that the island is trying to preserve.
3. ***Community involvement and interaction with people.*** In Jamaica, like many other parts of the world, only citizens may be tour guides. Local guides take pride in showing their home to visitors and explaining things that they would not otherwise have discovered. Community involvement in ecotourism activities provides a unique form of interaction between visitors and local people. Visitors should appreciate these services by being careful about how they impact the environment.
4. ***Environmental improvement / mitigation activities.*** In this measure, the Jamaican government requires that part of the proceeds from any ecotourism attraction must be used for nature conservation. Ecotourism businesses which contribute a part of their proceeds or provide some type of volunteer work (either through employees or the work of tourists) to actively try to reverse environmental degradation receive higher ratings.
5. ***Economic sustainability.*** To be successful in ecotourism, there must be mechanisms to address re-occurring costs. For example, there are costs to open and maintain hiking trails, to develop pathway paving, rails and way-finding signs, which allow visitors to enjoy areas for free or a small fee. Signs typically provide interpretive information in the language of visitors, with maps and photographs that can help identify features of the site.

³⁷ “The Ecotourism Equation: Measuring the Impacts: Five Parameters of Ecotourism,” Huub Gaymans, Valley Hikes

In some instances, videos provide information about restricted areas and rules for visitors to follow.

Who pays for the cost of ecotourism in the islands?

The islands offer a range of traditional nature-based activities, including snorkeling, scuba diving, bird-watching, hiking, caving and photography settings. None of the public attractions on Saipan, Tinian or Rota require a payment or entrance fee, except for Managaha Island. The local government and/or the MVA typically pay for the cost of maintaining most tourist sites. In the case of Managaha, the tour company that holds an exclusive concession with the CNMI government maintains the island.

As an example of the one type of experience, Rota's Bird Sanctuary offers a unique opportunity to view birds nesting in their natural habitat while overlooking a spectacular ocean view and indigenous trees from high atop a dramatic cliff. There is virtually no environmental, cultural or economic impact from tourists who visit this nature attraction, other than the fact that they must come to Rota (and spend money elsewhere on the island) for an opportunity to see this scenic habitat. They can visit with or without a guide and there is no fee to access the site. The CNMI government maintains the walkways and railings.

An example of the experiential type of ecotourism is snorkeling or scuba diving in The Grotto. At this site on Saipan, there is little potential impact to the environment unless a visitor leaves something behind or engages in illegal fishing activity. However, the economic potential is great as scuba diving businesses are paid to take tourists to the site. The CNMI government is currently paying for all of the maintenance of the site, with no entrance fee; the MVA is paying for the cost of security.

For many years, land tour companies operating on Saipan have offered jungle tours with open-air vehicles. Some tours include visits to agricultural areas where visitors can taste local fruit and coconuts. Many of these tours are operated by foreign-owned tour companies which employ alien guides. Visitors taking these nature-based tours may or may not receive the correct explanations of local history, flora or fauna because there are no training requirements for the guides.

Another experience is guided hikes through the jungle. Although the terrain can be rugged in many areas of the islands, one of the advantages the islands have is that people can enjoy nature without the safety worries of dangerous wildlife. Promoted in large part by local residents and sports enthusiasts, a number of trails have been opened for hiking and mountain bikes, and the potential exists to open more. The costs are typically born by the citizens or private businesses that open the sites, and therefore, the number of sites kept open varies from season to season and year to year.

Caving is an exciting and unusual opportunity that visitors can experience either with or without a guide, although some of the most interesting sites are unsafe for tourists to wander into. Rota has its own privately-owned Cave Museum, as well as an open cave within easy access from Songsong Village. On Saipan, there are a number of caves throughout the island. A good example of an untapped opportunity that could become a well-known destination in the future is the Kalabera Cave on Saipan. A site rich with both historic significance and mysterious allure, this site was the subject of a destination enhancement project initiated under the CNMI's 2006-2010 tourism strategic plan. Archaeological survey work is still ongoing in preparation for the opening of the site.

What are some trend-setting ecotourism destinations?

An increasing number of islands and countries have become well known as ecotourism attractions. Characteristics that have helped make these destinations successful include their remote locations and governments that encourage sustainable tourism practices through the designation of wildlife reserves and strict environmental regulation. A few examples include:

- Barbados. In addition to its tropical environment, beaches and scuba diving, one of the most popular attractions on the island of Barbados is Harrison's Cave. Here visitors can discover a natural labyrinth of subterranean caverns adorned with stalactites and stalagmites, millions of years in making. Privately operated for the government, Harrison's Cave recently earned an award in the Caribbean for, "taking what was already a mature tourism attraction and upgrading it to make it more environmentally responsible and more economically productive." The cave features the use of natural wood and stone products, low carbon transportation, rainwater harvesting, a green design for the Visitor Reception Center, and the use of membrane bioreactor sewerage treatment plants. The cave even has its own website at <http://harrisonscave.com/>.
- Costa Rica – This Central American country located between Nicaragua and Panama has recently become world renowned for its sustainable ecotourism and interpretation practices. Its "No artificial ingredients" slogan brands the destination in a range of traditional and social media marketing campaigns. Ecotourism activities can be found in 10 conservation areas including volcanoes, mountain ranges, forests, caves, wildlife refuges, water canals, waterfalls, national parks and marine national parks. Unique manmade attractions include an aerial tram through a rainforest and canopy tours. Signage throughout the country is friendly, informative and generous with interpretive details to ensure visitors can learn about what they are seeing. All activity options are promoted through social media, including Facebook, Twitter, Costa Rica's own channel on YouTube, an App, downloadable wallpaper, etc.
- Dominican Republic. It is no wonder that this Caribbean country has become known for ecotourism: 20% of the land has been set aside for preservation, helping to ensure that visitors can experience the island's admirable ecological diversity. The JICA agency of Japan funded a national ecotourism strategy for this country in 2008, joining efforts of the parks agency with the tourism ministry. Today the Dominican Republic has 19 national parks, 32 national monuments, six wildlife reserves, and two marine sanctuaries.
- The Big Island of Hawaii. The state of Hawaii is home to two UNESCO World Heritage sites, which are both accessible to tourists on the Big Island. The first is the Hawaii Volcanoes National Park. What is remarkable about this park is not only the access to see active volcanoes, but the opportunity to learn about them. An abundance of information is available at the Visitors Center at Kilauea, which includes a large base relief map of the island. Mauna Kea also has a visitor center atop the 33,000 foot summit (as measured from the bottom of the ocean floor). Informative signage with explanations of the different stages in a live volcano is conveniently located throughout the volcanic area and parks. The first mixed World Heritage site in the U.S. is the Papahānaumokuākea Marine National Monument, which also has its visitor center on Hawaii. Because the actual site on remote islands is protected and inaccessible to

tourists, the visitor center was created to provide a vast array of information. In this colorful center, tourists are encouraged to explore the marine sanctuary through exhibits, films, lectures, maps, displays and research materials.

- Kenya, as well as several other small African nations is capitalizing on the trend to create high-end “ecolodges,” where visitors can enjoy nature in special accommodations designed to create a low impact on the environment. Such tourists may spend as much as several thousand dollars per night in an ecolodge where they can enjoy the wildlife preserves and cultural experiences.
- The Republic of Palau is known for its spectacular Rock Islands, which have been nominated for UNESCO World Heritage status. Palau is “off the beaten path” for most travelers and has been able to protect natural habitats, which have added value to the destination. Under the sea, the islands feature protected coral reefs, blue holes, wartime wrecks, hidden caves and tunnels, more than 60 vertical drop-offs, and a wide spectrum of coral, fish, and rare sea creatures. Giant clams can weigh up to a quarter of a ton. Also in Palau, new tourist attractions are evolving to keep the destination fresh. In recent years, a dolphin training center has offered visitors the opportunity to swim with these sea mammals. New “canopy tours” of the jungles allow visitors to explore rain forests using modern climbing techniques. After a short climb to the top of the ridge, visitors are strapped in to a “zip line” suspended on suspension cables that soar through the treetops.



Key points and recommendations

- With an abundance of unique natural assets, the Northern Marianas have a tremendous opportunity to create a brand identity and improve tourism performance as an ecotourism destination.
- By learning from other successful destinations, the islands can improve their sustainability standards for ecotourism, as well as broaden the range of attractions that are being offered.
- There are a number of untapped sites, including caves, trails and areas that have yet to be explored on each of the islands.
- To be successful in ecotourism, the Northern Marianas should consider what is necessary to provide a more complete learning experience for tourists. There is an opportunity for more citizens to become involved as educated guides who can explain what tourists can see in the islands.
- Opportunities for entrepreneurship exist in providing new types of nature-based attractions. For example, such opportunities might include:
 - Star gazing
 - Nature photography tours
 - A zip line tour of the jungle canopy
 - Naturalist guides, bird-watching or nature photography tours
 - Guided sea kayak tour
 - Private “pocket beach” tours of Saipan, Tinian and Rota
 - The development of ecolodges in remote areas or uninhabited islands
 - Opening of additional nature sites on private properties
- To assist in promoting entrepreneurship among citizens, the CNMI government should actively promote and encourage ecotourism opportunities and help make financing available for small businesses. This can be done through incentives and other loan programs of the Commonwealth Development Authority.
- Additional opportunities that would require CNMI government involvement include:
 - The opening of Kalabera Cave. Work should continue to prepare safety measures and interpretive features of this important site on Saipan.
 - Susupe Lake Boardwalk & wetland tour. A project of the 2006-2010 tourism plan’s Destination Enhancement Committee, this project has been stalled due to a lack of funding, but could be considered in the future.
 - Visitor center for the new Marianas Trench Marine Monument. Declared a protected area by President George Bush in January of 2009, the CNMI has yet to capitalize on the opportunity to develop a visitor center, similar to what has been done on the island of Hawaii. (*see Chapter 6 for additional information on this potential project*)
 - Volcanic and geothermal activity exploration and nature tours to The Northern Islands. These islands have a spectacular array of geothermal attractions potential, including both active and distinct volcanoes, geothermal activity and relics of volcanic action. The CNMI has a unique opportunity to open up

selected areas to tourism investors and visitors. (*See Chapter 6 for additional visioning*)

- Gondola or chairlift ride atop Mt Tapachau: people of all ages would enjoy the views of its green slopes and turquoise waters of the lagoon. This project has been designed for private investment by a local firm, but has been stalled due to a lack of funding. Because of the great potential this project represents, the CNMI government may wish to assist this investor in connecting with foreign capital and/or other types of PPP financing.
- Sight-seeing flights by small plane: Flight tours could offer additional ways for visitors to enjoy the beauty of the islands from the air.
- Open-top busses: Popular in many big cities, when demand is sufficient, and especially during the flame tree blooming period, such rides can provide views and an opportunity for educational tours.
- Independent touring: Biking and walking trails through the natural areas, more picnicking tables, and the use of international way-finding signs will make all the islands' natural areas more accessible. The opportunities are currently limited by the cost of keeping trails open and developing signage.

Flame trees and how nature's seasonal color is marketed elsewhere

The brilliant flame trees of the Saipan, Tinian and Rota have one of the longest blooming seasons of any flowering tree and are a relatively untapped asset for ecotourism in the islands. Known in tropical locations around the world as the Flamboyant Tree, Peacock Flower, Royal Poinciana or Flame of the Forest, the trees were originally imported from Taiwan. Local school groups planted approximately 900 seedlings along the roadsides in the 1950's. Today in addition to the tree-lined streets, there are many wild groves that add color to the hills and jungles in the summer months. To refresh the islands' supply of trees, Beautify CNMI volunteers planted over a hundred new seedlings on the island of Saipan in 2007 and 2008.

Each year, the Marianas flame tree season begins when the weather first turns hot towards the end of March or April and can last until heavy rains begin around July or August and wash away the brilliant red petals. Peak months are typically May and June, but blooming can begin earlier depending on the weather. The long season adds to the greater potential to use the blooming as a tourist attraction. (By comparison, the cherry blossom season in Japan or Washington D.C. usually bloom for only two weeks but draw hundreds of thousands of visitors during the period.)

The MVA and private companies have used flame tree photographs in advertising materials and have promoted the annual Flame Tree Arts Festival as a significant cultural event on Saipan. However, the promotion of the flame tree season has never reached its full potential. A number of specific ways to capitalize on the blooming were described in the 2006-2010 tourism strategy. They included special publicity efforts, broadcast predictions of the peak flowering, a "Flame Tree Queen" beauty pageant, and tree dedications by tourists.

The cherry blossom season in Japan and Washington D.C. are well known the world over and receive valuable international media attention each year. Accompanying the season are festivals and special events to draw visitors (see www.nationalcherryblossomfestival.org). In another example, the changing colors of the fall leaves in Vermont and other states in the Northeastern U.S. keep tourism stakeholders busy taking every opportunity to promote tourism. These seasons are promoted not only in paid advertisements, but through websites and social

media which provide up-to-the minute forecasts and reports on the peak color dates and special hotel packages (see www.foliage-vermont.com). Seasonal events are typically paired with celebrations of local harvests, including elaborate roadside fruit stands, “farm-to-table” culinary events, fruit picking, wine tasting and educational tours.

Agritourism as a companion to ecotourism

Agritourism is closely related to ecotourism and in many ways appeals to the same kinds of visitors. It is not only a way to provide healthy, fresh food, but it also helps spread the value of tourism deeper into the local economy. Typical agritourism activities include encouraging visitors to go to farmers’ markets, patronize roadside fruit and vegetable stands, engage in “pick-your-own” activities or learn about farm animals, and see demonstrations of how locally-grown products are prepared.

Beyond the flame trees, the Northern Mariana Islands have several other growing seasons and products which can be promoted. For example, a celebration of the mango season in the late summer,³⁸ the annual “Tinian Hot Pepper Festival,” and Rota’s sweet potatoes are just a few of the possibilities. Activities could not only include community festivals, but also the promotion of fresh local produce in restaurants, hotels and retail establishments that cater to tourists.

In the 2011 Exit Survey, many tourists expressed their desire to try local foods. The “Taste of the Marianas” festival held during every Saturday in May and the “Garapan Street Market” on Saipan are two events that were designed to provide such an opportunity. At these events, visitors are looking to try local products.

Formal relationships between farmers and other tourism businesses offer excellent opportunities for hotels, restaurants and tour companies to work with the local agriculture and aquaculture industry to create a unique and healthy visitor experience. Because of the need for stable supplies, it is difficult for hotels to purchase harvests from individual farmers after they have already been picked. A best practice is for hotels and restaurants to forecast their needs and contract with farmers *in advance* of growing seasons for the volume of produce they will need. This better allows farmers to plan ahead while also giving hotels and restaurants a greater assurance that more of their produce needs will be met locally. Local products are also typically less expensive than imported products.³⁹

As with any niche marketing opportunity, the key to success in agritourism and ecotourism is execution. With limited budgets for marketing, the MVA and tourism stakeholders engaged in these businesses should fully utilize all Internet and social media resources, as well as media releases to spread the word about the Northern Marianas’ natural assets. Local promoters should keep in mind the lead-time needed for travel planning.

³⁸ The village of Agat in Guam has held a Mango Festival for the past five years, which includes a fun run, “Little Miss Mango” competition, arts and crafts, demonstrations, entertainment and culinary activities featuring mangos.

³⁹ For more information about agritourism, see <http://adventure.howstuffworks.com/agritourism.htm>.

HISTORY & CULTURAL HERITAGE TOURISM

A wide range of opportunities

The use of historical and cultural heritage assets as part of tourism development has several advantages to both the Northern Marianas community and the economy. Historical sites may not attract tourists to a destination on their own, but they certainly add to the richness of the experience. They also help develop a destination's brand identity.

When promoted properly while managing and preserving the integrity of these sites for future generations, the addition of cultural heritage sites as tourist attractions adds to the sense that the indigenous community is willing to share their culture with visitors. Historical and cultural sites also help develop civic pride for citizens.

Throughout the study period for this master plan, tourism stakeholders raised the issue of the need to enhance the destination with more historical and cultural attractions, more way-finding signage, and more interpretative materials. Additionally, in the 2011 Exit Survey, visitors of various nationalities stated that they would like to see and learn more about the local culture (see Chapter 2).

History and culture go hand-in-hand in tourism. The Northern Mariana Islands have an abundance of special sites from various eras in the islands' history. From ancient Chamorro latte stone sites, to shipwrecks of the Manila galleons,⁴⁰ to the Spanish and Japanese eras and World War II battlefields, the sites on Saipan, Tinian and Rota are unique and easy to visit over short distances. Areas such as the Marpi area of Saipan and the North Field of Tinian offer visitors highly concentrated experiences of the islands' history and scenery. While slightly less accessible in some cases due to the fact that they are on private property, Rota also has a large number of historical and cultural sites.

How can visitors experience the culture of the Marianas?

Traditionally, the ways tourists have experienced "culture" in the Northern Marianas is through dinner show dance performances that include Polynesian as well as Micronesian dancing. Once a year, tourists also have opportunities to buy local handicrafts and art through activities like the Annual Flame Tree Arts Festival, which is usually held in May or June. However, sales of such goods at retail stores throughout the year are somewhat limited. Opportunities may be more plentiful to purchase authentic gift items on Tinian and Rota, where some local residents are attempting to create a cottage industry of making crafts. These are generally small, inexpensive items that make interesting gifts, but do not educate visitors about the culture.

On another level of cultural experience, Saipan is home to the Commonwealth Museum of Arts & Culture, which is located across from the historic Sugar King Park. The museum houses artifacts from the Spanish, German and Japanese eras of Saipan, as well as World War II relics. American Memorial Park also includes a visitor center with the islands' most elaborate

⁴⁰ Visitors can see artifacts at the Commonwealth Museum of History & Culture on Saipan or they can visit the shorelines where these shipwrecks took place.

interpretive exhibit of the war in these islands. Both locations offer bookstores where visitors can make purchases.

There is a new cultural center that opened in Songsong Village on Rota in 2011, offering handicraft sales and seasonal activities. Over the years, small cultural centers have opened and closed on Saipan, including the Carolinian Utt in Garapan, which is used periodically to provide demonstrations to tour groups.

The possibility of opening a major cultural center on Saipan has been discussed, but has never come to fruition. In one plan created by an island resident, an elaborate cultural center would offer experiences from each of the Micronesian Islands as well as include a convention center, a museum and traditional canoes. As designed, the ambitious project would create perhaps the most complete cultural center in the region, but would require a large parcel of land and funding of up to \$50 million. Given the state of the CNMI government's budget, public funding may be out of the question; however, this project could be marketed for direct foreign and local private investment.

With all of these current and potential offerings in mind, the project team for this tourism master plan sought to identify ways to expand the historical and cultural heritage attractions in the islands. The World War II era has brought certain fame for Saipan and Tinian, and there are significant sites that visitors can experience. However, there remains a gap in both exposure and understanding of the ancient indigenous culture and traditions. The significant ancient latte stone sites are virtually untapped in terms of tourism and could be better interpreted for both local and international visitors. Herein is another opportunity: bringing indigenous history and culture to the forefront through enhancements and promotion of these sites.

Key points and recommendations

- The Northern Mariana Islands have a wealth of sites from various eras in the islands' history. Interpretive signage and other materials should be developed to help island visitors better understand the significance of sites on Saipan, Tinian and Rota. Such materials, translated into the language of tourists, can provide for a more enjoyable and memorable learning experience for island visitors. As a potential funding source, the CNMI government should seek federal grants for historic preservation and the development of interpretive materials.
- The North Field World War II sites in Tinian, the Marpi heritage sites in Saipan and latte stone sites throughout the islands can draw heritage tourism and add prestige to the destination if they are promoted properly. In Chapter 6, additional product development of these sites is envisioned and recommended in greater detail.
- An initiative should be launched to train and develop more knowledgeable local guides that can explain sites and provide an authentic indigenous perspective to island tours. Locally-hired guides will need to learn the languages of tourists.
- The CNMI government should initiate a committee to develop a special commemoration activity for the upcoming 70th Anniversary of World War II on Saipan and Tinian in the 2014. This can be a significant marketing opportunity to bring additional tourists to the islands from the U.S. mainland, Guam and Japan (*see Chapter 6*). Such activity can also be used as an opportunity to develop relationships with U.S. military in the region, and can provide a catalyst for the improvement and/or opening of new WWII historical sites on Saipan and Tinian.

SPORTS TOURISM

Year-round sports playground

Over the years, the development and promotion of a wide variety of sports have brought millions of dollars into the Northern Marianas economy. For some, sports are a casual activity enjoyed as an option while traveling; for others, it is the primary reason to come. Sports enthusiasts visit the islands year-round for scuba diving, golf, fishing, biking, hiking, beach volleyball, windsurfing and sailing, as well as a range of individual and team sport competitions. These healthy activities have also provided many opportunities for island residents and international visitors to make lasting friendships.

Golfing paradise

As a staple sports activity, golf is popular among tourists and is one of few economic sectors that have seen substantial re-investment in recent years. Together Saipan and Rota have five scenic golf courses that offer a challenging experience for both casual and avid golf travelers. These courses vary widely in character, but are consistent in their stunning ocean views and tropical beauty.

Golf has seen a substantial boost with the \$54M investment by Kumho Asiana in Laolao Bay Golf Resort on Saipan. The resort has a new hotel, a new clubhouse and a swimming pool which opened in December 2009.⁴¹ The 36-hole golf course was purchased from the United Micronesia Development Association in 2007, and in 2008 received CNMI government approval for a new 40-year public land lease. The new owners were also extended a Qualifying Tax Certificate with certain tax abatements as investment incentives. Perhaps most significantly for tourism as a whole, these investments were backed by increased international air service schedule by an affiliated company, Asiana Airlines which operates direct flights from Korea and Japan.

The Coral Ocean Point Resort Club on Saipan is slated to receive some improvements in the next few years. New investors in the resort's owning company, Suwaso Corporation have announced their intentions to settle debts to the CNMI government and invest over \$11 million in the hotel and 18-hole golf course designed by Larry Nelson. In December of 2011, the firm submitted to the CNMI Department of Public Lands a proposal to extend the firm's 25-year public land lease, with option to lease up to 40 more years upon government approval.⁴²

Unlike Saipan and Rota, Tinian does not have a golf course, although public land is available for this purpose. Several potential investors have expressed an interest in Tinian over the years, but have withdrawn when financing problems arose.

⁴¹ In a strategic investment, Korean investors from Kumho Asiana purchased the largest golf resort on Saipan, the 36-hole Laolao Bay Golf Course in 2007 and invested \$54 million in renovated facilities as well as a new hotel. The 54-room luxury hotel was opened in 2009 and was sold to Dae Woo Corporation in 2010.

⁴² "Suwaso: COP in good standing with 15-year permit," *Saipan Tribune*, December 20, 2011. COP is located on a 735,023 square meter property at Agingan Point, Saipan. Under the law, any lease and extension of lease of public land consisting of more than five hectares requires legislative approval.

Challenges for the golf sector: One of the major hindrances to investment in golf resorts, as with other resort projects is the Northern Marianas' restrictive land leasing system under the Commonwealth's Constitution, which states that public land owned by the government can only be leased for a maximum of 40 years. For privately-owned land, the maximum lease term is 55 years for anyone of non-Northern Marianas descent. As described by one investor, what this means is that for any major investment by a person or business of non-Northern Marianas descent, the value of such an investment automatically decreases every year.

Like all other businesses in the islands, golf resorts are also vulnerable to rising costs of doing business, particularly in fuel, electrical power, water and labor. The resulting high price of golf green fees affects the Northern Marianas' competitiveness as a golf destination versus other destinations in Asia, where an abundant supply of inexpensive labor offers opportunities for high service quality and well-maintained golf courses.

The outbound Japanese market for golf is still considered strong, but temporarily declining in the islands due to the large drop in direct air service from Japan. Japanese golfers have also become price conscious about green fees and are comparing costs to other destinations in Asia where they can also experience more variety in nightlife and other attractions.

Opportunities for growth: According to stakeholders in local golf resorts, future opportunities do look bright however, due to the increasing awareness of the sport. For the first time, golf will become an official sport of the 2016 Olympics, a factor that is increasing interest in countries like Korea and China.

Golf is seeing what stakeholders call an "explosive" interest among the Chinese, therefore offering great opportunity as long as the Northern Marianas can continue to receive visitors from this market under the currently permissive U.S. immigration parole authority. The CNMI must carefully examine the golfer market from China to capture newcomers to the sport and build their loyalty for repeat visits. It is possible that as in Japan during the 1980s and 1990s and Korea today, the demand for golf in China will outstrip the available supply of tee times. Golf enthusiasts in China will then resort to more overseas golfing trips.

Competitive sporting events: a community strength

When promoted with advance notice and targeted marketing, competitive sporting events can help round out the peaks and valleys of seasonal tourism. In the Northern Marianas, many special events have been developed especially to attract sports tourism. Just a few of the signature events include the annual "Tagaman Triathlon," the "Rota Blue Triathlon," and newly-popular events such as the "Escape from Managaha" swim, the "Hell of the Marianas" bike race, and "Saipan Marathon."

Many of the events that have been hosted year after year have earned an international following and have encouraged repeat visitors to compete with local resident athletes. For example, Saipan holds a world record for the longest-standing windsurfing championship in the world. The "Micronesian Open Windsurfing Cup" has taken place off of Micro Beach each February for nearly three decades. The annual "Xterra" triathlon event has earned its reputation as the "jewel" of this international extreme sports competition, taking competitors through the Saipan lagoon, lush jungles and winding roads.

Despite the challenging economy, these activities have continued in large part due to the high interest by local athletes with support from community volunteers. Island-based businesses and the MVA support a number of signature events with sponsorships, promotional activities,

logistics, special banquets and prizes. These events have also garnered valuable international publicity.

The island of Saipan has also been a location for international team sports to come for spring training and competitions. The 2007 Micronesian Games, for example, brought hundreds of players from neighboring islands around the region to compete in numerous sports. Baseball is particularly popular among the local community and there are numerous facilities where the sport can be played.

In recent years, soccer has also become popular on Saipan. The newly-created Northern Mariana Islands Football Association sought and received recognition by the East Asian Football Federation.⁴³ As a result of the start-up of this sport, youth and adult football teams now travel in and out of the Northern Marianas to compete with Guam and Asian players throughout the year. To help boost this sport, a new privately-sponsored indoor facility has been opened on Saipan, where players can train for soccer, volleyball, badminton and basketball through any weather condition.

Challenges for special events and team competitions. Because the hosting of these events is a long-time strength of the community, tourism stakeholders who were interviewed did not raise any particular concerns about sports tourism for this master plan, except for the issues of inadequate transportation, a scarcity of funding for marketing, and budgetary concerns for Tinian and Rota to host events.

Athletes and local promoters of sports did raise numerous concerns regarding the condition and lack of maintenance of local sports facilities due to the major decline in the CNMI government's budget. With very few exceptions, public sports facilities are simply not up to par for international training or competition at this time. For the ongoing maintenance of hiking and biking trails, it has largely been up to the private sector to keep these areas open for special events and regular use. Therefore, it is very difficult to expand upon the number of trails at this time.

The loss of the inter-island ferry has resulted in the cancellation of at least one event on Tinian. The island previously hosted a popular annual bicycle race, the "Tour de Tinian," which had potential to attract more tourists. However, the race was suspended in recent years because of a lack of transportation. Previously the Saipan-Tinian ocean ferry service allowed for easy access for bicycles and other cargo. Now that the ferry has been suspended operations and the island is only served by small planes, logistical requirements make the event difficult to host (*also see Chapter 4 -Transportation and Chapter 5 – Tinian*).

For Rota, budgetary constraints are the leading issue affecting the scheduling of sports events. With the severe downturn in Rota's tourism economy, many Rota-based businesses can no longer afford sponsorships and off-island business participation is difficult to secure.

Recommendations and opportunities for growth: The MVA and other tourism industry stakeholders should continue to look for ways to find both international and local sponsorship to keep the islands' signature annual attractions in business. From time to time, new activities will naturally be developed as driven by athletes, sports organizations and businesses. Some activities may die out due to the lack of budget. Activities which are well-organized, which have

⁴³ Soccer is known as "football" in most countries other than the U.S. and is not to be confused with the American sport of football.

private sector sponsorship and some capability of attracting tourists should be encouraged and promoted by the MVA within the limits of its budget.

To be truly effective in attracting international visitors, these events must be promoted with as much advance notice as possible in the MVA's websites, as well as through traditional publicity, social media and other Internet websites. Pictures, competition results and testimonies from visiting athletes should be publicized on the Internet. Targeted outreach and invitations should be made well in advance and in the appropriate languages to international sports clubs to gain their participation.

Snorkeling and scuba diving: sustainability alert

Of all the sports available in the islands, the sites for scuba diving and snorkeling were identified as critical tourism assets in the greatest need of attention. In the 2011 Visitor Exit Survey, people of all nationalities reported that they participated in scuba diving and snorkeling as part of their visits. In fact, snorkeling was the leading activity most visitors engaged in while visiting the Northern Marianas.

An activity enjoyed by people of all ages, novices and experienced swimmers alike, snorkeling is both easy and inexpensive. Visitors can simply pick up a mask and snorkel gear at virtually any hotel or convenience store and go right off the beach. For those who have more time, just a 10-minute boat trip will take you to Managaha Island, an award-winning snorkeling site.⁴⁴ For many years, Managaha has been a "must-see" tour activity.

Snorkeling is a great introductory activity for scuba diving, which is one of the Northern Marianas' most important signature sports. People come to the islands to dive on a variety of reefs, walls and wrecks that are quickly and easily accessible by beach or by boat.

Dive sites: Saipan has at least 18 dive sites, including the famous "Grotto," a huge limestone cave with underwater passages to the ocean.⁴⁵ In 1999, the "World's Largest Dive" event was held in Saipan. Some 215 participants dove together in one location in Saipan lagoon at the same time. This occasion was included in the *Guinness Book of World Records*.

Far less populated, Tinian and Rota offer their own pristine dive spots, with crystal clear waters and a great diversity of sea life. On Rota, there are as many as 20 dive sites which are typically within a 20-minute boat ride. Tinian has five regular sites, including a cove where World War II artifacts such as airplanes, tanks, ammunition and jeeps can be seen, along with turtles, sharks and an abundance of colorful fish.

Regular transportation and tours are not yet offered, but great potential for high adventure scuba diving also exists in the uninhabited Northern Islands. These islands offer opportunities for live-aboard adventures, a type of diving attraction that is not yet available in the Marianas.

The dive industry. A Chamorro native, the late Vicente "Ben" Concepcion is credited as one of the pioneers who discovered many of Saipan's most popular dive sites. He was the first to open a locally-owned dive shop in the CNMI in 1970. His family business and many other

⁴⁴ In 2004, 2005 and 2007, Managaha placed first in the "Best Snorkeling" site category in the Japan-based Marine Diving Fair. Marine Art Center Co., Ltd. organizes the event each year, where their readers together with tens of thousands of divers, would-be divers and travelers cast their votes for the winners of Dive & Travel Awards. Marine Art Center publishes, "Marine Diving", Japan's first and first and largest scuba diving magazine; "Travel Diver", a magazine dedicated to islands and resorts; and "Marine Photo", the only monthly magazine in Japan that focuses on underwater photography.

⁴⁵ The Grotto has won international awards from *Skin Diver Magazine* and the Japan-based Marine Diving Fair.

small firms have come and gone over the years, but in general, the industry was largely established by foreign investors that catered to visitors of their own nationalities. This phenomenon of foreign investors dominating the diving industry is not unique to Saipan and is found elsewhere, although this is not considered the best model for long-term sustainability.

Today there are an estimated 50 dive companies employing approximately 100 people in the Northern Marianas. The Northern Mariana Islands Dive Association (NMDOA) promotes the industry and has 30 member companies which are primarily Japanese-owned. A small number of firms are owned by U.S. citizens as well as Korean, Russian and Chinese investors. Several of these firms work in collaboration with resort hotels, while others are located in small dive shops, typically pairing their services with small hotels for dive vacation packages.

Laws and regulations. The *Safety Diving Act of 1990* regulates tour diving and the diving instruction businesses. Public Law 16-6 which was passed in 2008 grants the CNMI Department of Public Safety the power to enforce the diving law, allowing police officers to issue citations to those who operate businesses for scuba instruction or scuba diving tours without proper licensing. The law urged the DPS to work with the Department of Finance and the Department of Lands and Natural Resources to assess the level of difficulty of each dive site throughout the islands and to set forth restrictions to ensure the safety of divers. Under the law, diving instructors are required to be certified and to obtain liability insurance to ensure that only skilled divers will provide recreational dive services to tourists.

Environmental sustainability. The greatest problem with regard to scuba diving and snorkeling in the Northern Marianas is not safety, however; it is sustainability of the natural marine environment. With the rapid growth in population in the 1990's came a certain level of degradation of Saipan's lagoon. Water quality issues have had an impact on fish and coral, as well as on the clarity of the water. Seaweed and sea cucumbers have proliferated in the lagoon. Much of the water quality problems in the near shore areas are related to seasonal storm water run-off from the mountain and hills which has never been properly addressed. Red flagged beaches with water quality warnings are a continual problem, especially in the rainy season.

In recent years another problem has risen to the forefront, and that is the problem of over-fishing and damage to coral reefs by human actions. What makes scuba diving an exciting experience is not only the feeling of being underwater and the natural geography of identified dive sites, but also the opportunity to see colorful tropical fish, turtles, sharks and live coral in the natural environment. Scuba divers expect to see an abundance of sea life, and when they don't find it, they are often disappointed.

With the decline in the Northern Marianas economy, many more people that live and work on Saipan are engaged in subsistence fishing. Different types of fishing occur near the shore and reefs by small boat, by net fishing, free diving on reefs, and in some locations off of rocky cliffs. Some areas are far more sensitive than others to over-fishing and the damage that can be caused when anchors are dropped or dragged through coral. The areas which have the most live coral tend to have the most fish.

One of Saipan's most popular sites, The Grotto draws divers and snorkelers not only for the exotic cave setting, but also for the many species of fish and sharks. In this protected area, fishing is prohibited. However, in recent years sea life populations have greatly declined due to illegal fishing. Dive operators frequently complain that they find broken fishing lines wrapped around the coral just outside The Grotto.

Managaha Island has also experienced its own problems with beach erosion and loss of habitat as live corals have been damaged by visitors. Novice swimmers and snorkelers

occasionally stand on the coral and touch coral with their fins or gloves. As the live corals off of the Marianas' most popular swimming beach have become damaged, snorkelers have begun to venture to other parts of Managaha Island or further offshore to find live coral and fish.

A less common, but nevertheless important danger to reefs is caused by novice scuba divers who don't yet understand the fragile nature of coral reef environments. As they learn how to handle their heavy scuba equipment in locations such as Laolao Bay or Obyan Beach, many stand on the coral or struggle to maintain their buoyancy. Just one kick or the grab of a glove, and years of coral growth can be destroyed.

Shark conservation is another important initiative related not only to scuba diving sites, but more importantly to the long-term sustainability of the Northern Marianas' fragile marine ecosystem. Recognizing this, the Northern Marianas can be credited for being one of the first jurisdictions in the world to ban shark finning. On January 27, 2011, Governor Benigno R. Fitial signed Public Law 17-27 into law, banning the possession, selling, offering for sale, trading, or distributing shark fins in the islands. The ban does allow the catching of sharks for subsistence or non-commercial purposes. While this legislation was an important step, the measure must be enforced in order to protect the sharks.

Key points and recommendations

- The island of Tinian should seek to develop a golf course, which would help round out its attractions. The Municipality should offer incentives, if needed to attract a quality investor.
- The Northern Marianas community is experienced at hosting year-round competitive sporting events that attracts international visitors. If more island residents can master the languages spoken by the tourists, this will help boost the islands' capability of promoting these events further.
- The Internet and social media offer tremendous opportunities for low-cost targeted marketing through international sports clubs and organizations.
- Snorkeling and scuba diving are two of the most enjoyable sports activities that draw visitors to the islands. Live reefs with adequate populations of fish, sharks, turtles and other marine life are what people come to see. They are a vital asset not only for tourism, but for long-term sustainability of the entire marine ecosystem.
- The degradation of marine assets must be addressed on an urgent basis because of over-fishing near shores and reefs. This is a problem of a lack of education about coral reef conservation by people who visit these sensitive areas for recreation. It is also an issue of inadequate policing of CNMI laws. Some problems can be addressed on a voluntary basis, led by dive industry organizations such as NMDOA and reputable dive firms. The CNMI government must also provide leadership and partnership in educating tourists on how to protect sensitive areas and species.
- Simple moorings sparing any effect on the corals can be provided at all major dive sites to avoid anchors being dragged by dive boats and fishermen. During peak periods, usage patterns can be agreed to in advance by operators to avoid congestion at the sites.
- In the short-term, policing of night fishing must be done on a spot basis at The Grotto. Fines and/or criminal prosecution for illegal fishing should be publicized as a deterrent. For the long-term, closure of the area at night as part of a larger Marpi park initiative (*see Chapter 7*) can provide a long-term solution.

- For Managaha, sustainability measures must be put in place to preserve this wonderful site for future generations. Education must be provided to teach tourists the right and wrong ways to swim and snorkel. One solution for better protection of live coral may be to ban the use of fins and gloves in snorkeling areas. Another recommendation is to prohibit the use of Styrofoam cups and plastic bags on the island. Turning Managaha into a model for environmental sustainability can make it even more admired by visitors in the future.
- An assessment should be made of reef areas of Managaha and other locations that are at the greatest risk. One solution may be to close off sensitive areas in order to allow them to regenerate pristine habitats -- while identifying other areas where tourists can visit.
- Sharks are protected by law, but are seen as a nuisance by fishermen. Public education is needed on the importance of big fish for marine ecosystems and for tourism. Federal support and grants from environmental non-governmental organizations (ENGOS) should be sought for this purpose.
- Penalties for breaking the law and killing sharks must be enforced. Protection for other large marine life, such as turtles and hump head wrasses should also be carefully monitored.
- New projects such as the Underwater Heritage Trail and its accompanying sustainability principals should be promoted by the MVA, by dive operators and local educational institutions. Funding opportunities through grants and ENGOS should be explored to expand upon this worthy initiative.
- Another new product development idea that could promote scuba diving in the Northern Marianas would be to create a PADI dive certification course on World War II underwater wrecks.
- The opening of new dive sites throughout the islands and greater promotion of the many sites on Tinian and Rota could help renew interest in Marianas scuba diving as a whole.
- For the long-term benefit of local residents and the industry, more citizen participation in the scuba diving businesses should be encouraged. Scuba diving is a profession that can be learned with a relatively short training period, yet it will bring a lifetime of appreciation for the important marine assets of the islands.

Saipan's new underwater heritage trail: take pictures, not things

A group of graduate students and faculty from the Adelaide, Australia-based Flinders University Archaeological Department is developing a new Underwater World War II Heritage Trail in the Saipan lagoon. The project emphasizes the Northern Marianas as an ecotourism destination and strives to educate divers to help protect Saipan's underwater treasures.

In cooperation with the CNMI Historic Preservation Office, the university first began research on the underwater historical sites in 2010. The work was funded by a \$50,000 grant from the American Battlefield Protection Program (ABPP) of the National Forest Service, U.S. Department of the Interior.⁴⁶

Sites documented during the project include three tanks, four airplanes, two Japanese landing craft, a possible sub-chaser, a freighter and an American LVT (Landing Vehicle Tracked, a class of amphibious vehicles introduced by the U.S. Navy, Marine Corps and Army during World War II). The Flinders University group found impacts from people visiting the sites. Among the issues were anchor damage, graffiti, erosion, and development impacts.

The project emphasizes the importance and opportunity of teaching visitors about the history of these sites, as well as the concept: "Take pictures, not things."⁴⁷ The heritage trail will be featured in individual site brochures, diving and snorkeling guides and a website that tourists and divers can use to learn about the history of the sites. The group is also utilizing grant money to initiate a monitoring program to ensure the long-term protection of these significant historical resources.

Best practices in marine tourism sustainability programs

Hanauma Bay, Southeast O'ahu, Hawaii. One of the oldest and most successful marine attractions in the State of Hawaii is Hanauma Bay. Colorful tropical fish are plentiful and friendly in this scenic snorkeling spot formed by the crater of an ancient volcano. Declared a protected marine life conservation area and underwater park in 1967, the cove is home to a large coral reef. It has a large sandy beach that is popular for sunbathing and picnics. To help ensure that visitors handle the reef and sea life with care, visitors are required to watch an educational film about the bay, the marine life and the preserve prior to going down to the beach. There is a \$5 per person admission fee for visitors 13 years old or older; it is free for children under 13 years and for Hawaii residents and military stationed in Hawaii, the entrance to the park is free.

The Red Sea. Programs that engage all users, including visitors, watersports operators, dive operators and fishermen promote sustainability of the underwater resources. One example was recently undertaken by the U.S. Agency for International Development (USAID) along Egypt's 1,500 mile long Red Sea coastline. This area has an extraordinary fringing reef which hugs the coastline where resorts with some 50,000 rooms are located.⁴⁸ The Red Sea is

⁴⁶ The ABPP promotes the preservation of significant historic battlefields associated with wars on American soil. The goals of the program are: 1) to protect battlefields and sites associated with armed conflicts that influenced the course of our history, 2) to encourage and assist all Americans in planning for the preservation, management, and interpretation of these sites, and 3) to raise awareness of the importance of preserving battlefields and related sites for future generations. The ABPP focuses primarily on land use, cultural resource and site management planning, and public education. For more information, see <http://www.nps.gov/hps/abpp/>

⁴⁷ A similar usage standard for protected areas is "Leave no trace".

⁴⁸ The summary of the case study can be found at: <http://earthmind.net/marine/docs/red-sea-conservation-finance.pdf>

considered one of the best diving destinations in the world and is a favored diving and holiday destination for Europeans. However, the area needed solutions to address long-term conservation and management of its valuable marine resources.

The project quantified the economic value of the Red Sea marine tourism and studied ways to finance marine management and sustainable tourism. It explored entry fees, user taxes, fishing and scuba diving permits, concessions, fines (for illegal fishing and reef damage from anchors), park entrance fees, and adoption/membership programs. A survey of 500 tourists and 40 dive operators found that diving/snorkeling visitors do not mind paying more for conservation programs, provided the money goes to the intended purpose.

Republic of Palau. Palau is enlisting the help of environmental organizations and tourists to pay for new sustainability programs for its underwater resources. Even though tourists are now paying more to visit Palau and its famous dive sites in the Rock Islands, this sustainability program is working for tourism and marine biodiversity conservation. The year 2011 was the first time Palau surpassed 100,000 visitors.

In 2009, Palau established a national Green Fee program, an environmental protection fee which uses \$15 collected from departing visitors to maintain sites in a network of protected areas.⁴⁹ In the same year, Palau established a shark sanctuary. A recent economic study by the Australian Institute of Marine Science found that Palau's reef sharks are worth millions of dollars each year to the economy and account for almost 10% of GDP.

Palau's scuba diving industry consists of only three dive operations, and these are all locally-owned. Local citizens serve as dive guides. Scuba diving is considered a good profession, which is relatively easy to learn: one can earn certification to become a dive instructor in as little as two months. Although the ability to speak the language of tourists is highly desirable, once you're underwater, universal hand signals takes over.

⁴⁹ The fee is part of a \$35 Embarkation tax, which also includes a \$20 Airport Departure Tax for most passengers.

IV: THE BUSINESS CLIMATE FOR TOURISM

Providing the right “enabling” climate for businesses to thrive has a major impact on the success of industries. This chapter provides a discussion of best practices from international tourism organizations and other destinations in an effort to help improve the economic return of tourism in the Northern Marianas. This section also discusses key challenges for existing businesses in the islands’ tourism industry. Although this may not document every problem current businesses are experiencing, it is an attempt to evaluate the most pressing issues, possible mitigating measures, and offer actionable solutions for improvement.

Comparing the island tourism performance to the global tourism recovery

Travel and tourism are a critical sector of the world’s economy, accounting for a significant share of global employment and providing opportunities for economies. Tourism has also been recognized by the United Nations and other organizations as a means of reducing poverty. An increasing number of emerging economies are successfully leveraging tourism to boost their economic and social development. This is essentially the purpose of this tourism master plan. How well it will actually achieve the goal of improving the economy will depend on how stakeholders implement the plan and manage change.

International industry experts say that tourism is once again on the upswing after several bad years. Leading the globe in tourism recovery is the Asia-Pacific region, which in 2010 enjoyed hotel revenue growth of 21.8% according to the Pacific Asia Travel Association. When compared to the region’s growth, the Northern Marianas’ performance came nowhere close to this. While the 2010 growth figures for Asia Pacific were recorded prior to the March 11, 2011 triple disasters in Japan, it is noteworthy that the recovery occurred rather rapidly. But significantly, the islands are still not receiving the relative amount of market share that they should.

World Travel and Tourism Competitiveness Index

Especially during crises and downturn periods, tourism destinations need to manage tactically in order to mitigate losses. What are some best practices from leading tourism organizations? The World Economic Forum over a five-year period engaged industry leaders in travel, aviation, hotels, tour operators and attractions to carry out an in-depth analysis of what it takes to make tourism perform in economies around the world. The goal of this periodic study is to help channel policy-making and performance measures in tourism.

At the core of the effort is a comprehensive tool for measuring the factors and policies that have helped develop tourism in different countries. A 14-point assessment provides guidance for stakeholders to work together towards improvements. This assessment, the Travel & Tourism Competitive Index (TTCI)⁵⁰ measures many different regulatory and business-related

⁵⁰ The TTCI index has been developed within the World Economic Forum’s Industry Partnership Program. The index was developed in close collaboration with the International Air Transport Association (IATA), the International Union for Conservation of Nature (IUCN), the World Tourism Organization (UNWTO), and the World Travel & Tourism Council, with private sector support by Strategic Design Partner Booz & Company and Data Partners Deloitte.

issues that can be positive or negative influences in growing tourism. Based on where a destination stands on this scoreboard, obstacles to competitiveness and growth that require policy attention and dialogue between the private and public sector can be easily identified. The key factors include:

- 1) Policy rules and regulations. This factor evaluates whether the public policy environment is conducive to developing tourism businesses. Governments can have an important impact on the attractiveness of developing tourism, depending on whether the policies that they create support or hinder development. In the Northern Marianas, for instance, stakeholders identified concerns relating to the new federal requirements of foreign investors, concerns about future access to Chinese and Russian tourists, as well as the availability of foreign skilled labor. The restrictive land leasing system was also discussed as a major hindrance to investment.
- 2) Environmental sustainability. This is obviously a crucial area for ensuring that the islands will continue to be an attractive tourist destination for the future. In this measure, the stringency of the government's environmental regulations and the extent to which they are enforced is a critical factor. For example, the care and protection of coral reefs and other sea life is an issue.
- 3) Safety and security. This factor takes into account the costliness and disruption of crime, and the extent to which tourists perceive that police services, lifeguards and private security guards in key locations can be relied upon to protect them.
- 4) Health and hygiene. The access within a destination to quality drinking water, sanitation and health care in the event of accident or illness are all factors in ensuring that contingencies are addressed and visitors are properly cared for.
- 5) Prioritization of travel and tourism by local government. This factor refers to the extent to which the government "champions" and prioritizes the tourism sector. This should be reflected in the adequate attention and timely action on industry concerns, as well as its budget priorities, where the government is expected to channel needed funds to essential development projects and marketing. Prioritization is also reflected in the ways government deals with the private sector and makes available important data that businesses need to plan their investments on a timely basis. This can have a positive spillover effect in attracting further private investment.
- 6) Air transportation infrastructure. This is an essential element for any location, but crucial for island-based destination in terms of the access to and from source markets, as well as for easy inter-island movement within the destination. This is measured by the available seats, the number and choice of arrival and departure times, and the number of airlines offering competitive service and pricing.
- 7) Ground transportation infrastructure. This takes into account the quality of roads, public transportation and ports, as well as efficient, affordable and accessible transportation to key attractions. The Northern Marianas should also consider the issue of viable inter-island sea ferry service within this category.
- 8) Tourism infrastructure (hotels and attractions). This takes into account the accommodation infrastructure, i.e. the number of hotel rooms and various types, quality and choices offered. The range and quality of the many attractions for visitors whether mass market or niche visitors, are vital. It also includes the presence of major car rental companies and financial infrastructure for tourists, such as the availability of automatic teller machines. Also, factors such as attracting international hotel

- investors, world-class telecommunications infrastructure and comfortable transportation options (taxi, bus systems) increase the competitiveness of tourist destinations.
- 9) Internet and communications infrastructure. Given the increasing importance of the online environment for communications, planning itineraries and purchasing travel, tourists today are considering accessibility and the cost of using these services as a factor in determining where to go. Increasingly destinations are using social media to reach out to visitors to help guide their pre-arrival purchases, as well as provide information that is useful to enjoy their stay once they are in the destination. In increasing numbers, destinations are using social media to inform tourists of essential safety and weather information in real time, as well as to provide interpretive guiding services and informative information in the destination.⁵¹
 - 10) Price competitiveness. This is clearly an important element to take into account, with lower costs for doing business providing the opportunity not only for tourism companies to make a profit, but also to pass the benefits along to tourists. In the eyes of tourists, lower costs of goods and services directly affect the attractiveness of a destination and enjoyment of their vacations.
 - 11) Human resources. Because tourism is a labor-dependent industry and has such a wide variety of jobs positions, the availability, work-readiness and work ethic of the workforce are key factors in attracting and keeping investment in a destination. Destinations that score high on this factor value educational attainment, as well as the overall quality of education and specialty training services. This factor is also impacted by the extent to which hiring is impeded by regulations and whether labor regulations make it easy or difficult to hire foreign labor if it is needed.
 - 12) Affinity for tourism by the community. This factor measures the extent to which the community is active in investing and working in the industry, as well as their openness to receiving foreign visitors. For the local community, one of the critical success factors is access to jobs and entrepreneurship opportunities in tourism businesses. Employment of local residents in positions that frequently interact with tourists on a personal level not only helps provide mutual understanding and growth of a “hospitality mentality,” but also provides a means for sharing the local culture with visitors.
 - 13) Natural Resources. Locations that have access to natural assets clearly have a competitive advantage. According to the Travel & Tourism Competitiveness Report 2011, “Smart tourism is clean, green, ethical and customer-and quality oriented. Many tourism products and services owe their attractiveness to the surrounding natural environment, and in the CNMI, this is indeed a critical factor in attracting visitors. When measuring this factor internationally, one considers the number of environmentally attractive sites, as well as the number of UNESCO natural World Heritage sites. This is a prestigious measure of the quality of the natural environment, the richness of the fauna in the country, and the percentage of nationally protected areas. In the Northern Marianas’ key Asian markets, there are many

⁵¹ Excellent examples of this can be found in Costa Rica and Ireland, among others.

recognized World Heritage sites which are well known and their presence is a prestigious visitor draw.

- 14) Cultural Resources. This pillar includes the arts, sports attractions, monuments and memorials, cultural attractions and performances, fairs and exhibitions, and creative industries such as handicrafts, which provides an indication of cultural richness. This factor also receives points for the number of UNESCO cultural World Heritage sites.

Models for tourism competitiveness in the Asia-Pacific region

What are some nearby destinations the Northern Marianas can learn from? In the Asia Pacific region, Singapore is top-ranked (also ranked #10 in the world) as one of the best models for tourism competitiveness. Singapore benefits from excellent transportation infrastructure, high quality human resources available to work in the country, well-functioning public institutions ranking first out of all countries for its policy environment, with rules and regulations that are extremely conducive to the development of tourism (policies facilitating foreign investment, well-protected property rights, and few visa restrictions). Furthermore, Singapore is among the safest countries in the world and prioritizes travel and tourism as a leading industry.

Singapore, Hong Kong and New Zealand were top ranked in the world for policy rules and regulations. These economies have put in place overarching policy environments that are conducive to the development of the tourism sector, including well-protected property rights for businesses, rules attracting foreign direct investment, and a minimum of red-tape required in doing business. Hong Kong was top ranked for the quality of health and hygiene, with excellent health infrastructure. Australia ranked number three in the world in the quality of air service, while the best ground transportation is found in Hong Kong and Singapore. Singapore was ranked number two in the world for human resources, with a strong educational system and top-notch training facilities, as well as a flexible labor market which makes it easier to manage hiring during peaks and valleys of tourism seasonality.

The strengths of the Northern Marianas source markets in key rankings offer clues to what visitors from these countries may expect when they travel abroad:

- Japan ranked 22nd in the world in terms of its cultural resources, attributable to its 29 World Heritage cultural sites, Japan's many international fairs and exhibitions, as well as the richness of its creative industries – i.e. arts and crafts. The country also ranked #6 in ground transportation infrastructure in the world.
- South Korea's strengths lie in its excellent ground transportation (ranked 18th) and Internet and communications infrastructure (ranked 8th in the world). It ranked an impressive 5th in the world for cultural resources.
- Russia ranked high in natural resources (27th in the world) and cultural resources (35th) due to its many World Heritage sites and well developed air transportation infrastructure (31st).

Tourism recovery after a crisis

Because tourism is an industry that is easily affected by external factors, another important measure of the industry's strength is its resiliency and ability to recover after a crisis. Any crisis reveals the weak spots of a destination's market positioning.

This is an area where government can play a key role in acting quickly to bring aid and incentives to an industry by building a fast crisis-response capability based on close cooperation

between the public and private sectors. Reacting quickly to deteriorating tourist demand conditions is critical when attempting to make tourism less vulnerable to market shocks. In times of dropping visitor arrivals, short-term measures such as reducing taxes and other costs of doing business can help stabilize the tourism industry amid declining visitor arrivals.

For the long-term, government can also introduce more flexible investment incentives to create sustainable growth. Growth can be targeted in specific locations through tourism business improvement districts (TBDs) and loan programs.

For example, as appealing as it is for investors to look first at undeveloped land, many governments across the U.S. are now promoting the re-development of aging downtowns and other underutilized buildings. Because old towns are physically and ‘spiritually’ at the heart of many communities, this is a best practice to kick-start revitalization of larger areas.

Two locations that the CNMI government should be targeted for fresh investment are Garapan in Saipan and Songsong Village in Rota. Because these are concentrated business areas that tourists frequent, the recent appearance of a high number of vacancies and abandoned buildings has a negative impact. The CNMI government should make note of these vacancies and the need to improve building appearances and quality through policies and investment incentives. *(This is addressed further in Chapter 5.)* The federal government has a number of programs that are helping to fund urban downtown revitalization initiatives throughout the U.S., and these should be tapped for the Northern Marianas.

Diversification of markets helps tourism recover more quickly

The 2006-2012 Tourism Strategic Plan recognized diversification of international markets as an important consideration in making the islands’ tourism industry less vulnerable to changing conditions in any one source country. This proved especially important in light of the triple disasters in Japan in 2011. While not abandoning its existing customer base, the MVA should be able to redirect destination marketing at times when Japan or any other market is experiencing difficult times. *(Please see Chapter 2 for more on this topic.)*

The remainder of this chapter deals with key subject areas of importance to the business climate for Northern Marianas tourism. These include transportation, hotel accommodations, the tourism workforce, and marketing.

TRANSPORTATION

Lifeblood of tourism for islands

Because it is such a critical success factor for leisure destinations, the more transportation options one can provide -- the better. Whether it's by air or by sea, the most convenient schedules for tourists are daily, direct, daytime "3D service." A factor that has largely been beyond the control of local stakeholders, air seat availability and ever-changing schedules have been the biggest challenges to the tourism industry of the Northern Mariana Islands.

The debate about how to stabilize and grow air service is much like the age-old question as to which came first: the chicken or the egg. There must be adequate marketing to create demand for travel, and there must be adequate air service in order to fulfill the demand. One cannot be successful without the other. Industry stakeholders have repeatedly stated that they believe there is demand to the islands that could be sold, provided that air service stabilizes and more marketing support is provided.

While schedules for all of the islands' major markets have fluctuated over the years, the largest source of shrinkage in air service has been from Japan. When Japan Airlines (JAL) stopped serving the Northern Marianas in 2005, the islands lost 35% of their international air capacity.

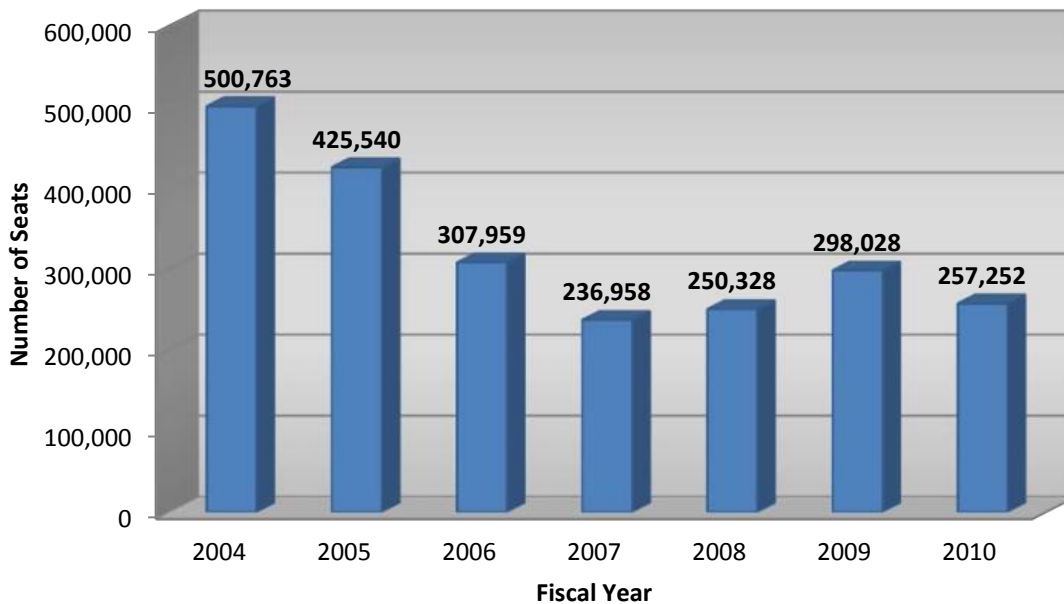


Figure 1: Japan Air Service, FY2004 – FY2010

Air service stability: it's all about profitability

The huge and unexpected drop in air service, first announced in 2005 by JAL was the impetus behind the 2006-2010 tourism plan. Citing low seat yields on package tours, rising fuel

costs, and the need to recoup corporate losses, JAL ceased its flight service to Saipan from Japan in October of 2005, while cutting a range of international routes. In the same year, Continental Airlines withdrew its flights from Taiwan and Hong Kong. Its only remaining service into the market was contracted via Cape Air, which flies the Guam-Saipan and Guam-Rota routes.

Following the drop in service, Northwest Airlines stepped in in 2006 to add schedules and serve some of the routes previously served by JAL. However, the airline who has now merged with Delta Airlines frequently re-arranges its schedules according to seasonality and business profitability on the route. Both before and after the Northwest merger with Delta Airlines in 2009, airline executives have continued to raise the issue of airline “yield” – the level of acceptable profitability -- as the deciding factor in their scheduling decisions.

The year 2011 has proven to be one of the most challenging years in terms of service decline and instability. In December 2010, the airline reduced one of its three daily flights from Tokyo/Narita – the CNMI’s largest source city – to only three times weekly. The flight was formally terminated in April 2011. This was followed by the suspension of direct Nagoya flights, with operation resuming only during peak periods. The resulting drop was a loss of 90,720 seats in 2011 or roughly 27% of all arrivals in the Northern Marianas for the fiscal year.

Profitability has also been a major issue for Asiana Airlines, the second carrier serving Japan and the only air carrier serving Korea-Saipan routes. Bussan flights were cancelled in June of 2011, followed by a reduction from four to two flights weekly in daytime Incheon/Seoul flights, an 18% loss of air seats from Korea on a weekly basis. Although this was increased in October 2011, the changes underscore the instability of flights from the islands’ two largest markets.

Most of the islands’ hotels and existing tourism attractions were built in the late 1980’s and early 1990’s for a tourism market in the range of 700,000 to 800,000 tourists. Because the islands have yet to recover the level of air seat availability that it had prior to the pull-out of JAL in 2005, this has resulted in major unused capacity on the ground. For the past five years, both hotel occupancy and average room rate have been at a depressed level (*see Chapter 3 Hotel Accommodations*).

For airlines, business decisions in serving the Northern Marianas are affected by several factors which affect their profitability:

- Discounted fares – The high incidence of low-cost packages, as well as children’s discounted fares have greatly reduced the overall revenue airlines can earn in the destination.
- Not an airline hub – Virtually all air traffic coming into the Northern Marianas terminates in the islands. The Commonwealth Ports Authority’s fee structure must cover costs; therefore, it is a more expensive destination to serve as compared to hub markets like Guam, which benefits from the fees of connecting flights.
- Fluctuating load factors – As a tourist market, most visitors are coming into the Northern Marianas on low-priced packaged tours, which include a discounted airfare component. With a high cost base, the major legacy air carriers have stated that they need to have at least an 85% load factor all year round in order to cover costs. Maintaining such a high demand is negatively impacted by reduced marketing and promotions.

- No cargo revenue – For more than two decades Saipan had a garment industry that provided many millions of dollars in cargo revenue to the airlines. This revenue was significant in bringing up the value of flying to Saipan for the airlines.⁵² When this industry began to die out after 2005, it left a major void. Today there are no international exports to provide for replacement revenue.
- Expensive aviation fuel – Airlines have said that the cost for aviation fuel in the Northern Marianas is far higher than other destinations, most notably the neighboring island of Guam. Saipan has only one aviation fuel supplier. A limiting factor in promoting competition is the fact that there is only one pipeline at Saipan International Airport and one set of fuel tanks. Aviation fuel tanks are not available at either of the airports on Tinian and Rota; therefore, all international flights need to refuel on Saipan or Guam.
- Little or no business class revenue – Because the Northern Marianas is a leisure destination, airlines can sell very few business class fares.
- Use of Mileage Points for seats - Before JAL's departure from the market, many passengers were using airline mileage rewards earned elsewhere in JAL's global system to take vacations in the islands. Some airline officials said this resulted in lower revenue reporting on the Japan-Saipan routes.
- Competitive pricing from other destinations – Because of competition from Guam and many other Asian destinations, the airlines serving the Northern Marianas cannot raise seat prices to cover the higher costs.
- Frequently changing airport fees – Although the Northern Marianas government has offered discounted fees for the establishment of new routes in the past, airlines have cited high costs as a hindrance to expanding service. This is particularly true for inter-island flights, where landing fees are a larger share of the total ticket price. Competing airlines throughout the region at times have been offered a waiver of fees as an incentive to increase service. The Commonwealth Ports Authority cannot lower its fees because of the need to cover the cost of airport bonds.

Business model – legacy carriers v. LCCs

From the beginning of the tourism industry in the late 1970's, most international air service to the Northern Marianas has been provided by network carriers -- also called "legacy" carriers -- and charters sponsored by tour companies. These typically utilize larger aircraft with a high cost base. Following the 9/11 terrorist attacks on the U.S. and unprecedented increases in the cost of security and fuel, legacy carriers have faced new challenges to generate sufficient profits from leisure routes around the world where two-way traffic, business class travel, and cargo revenue were difficult to come by. To cut costs, a number of airlines have cancelled routes that were deemed unprofitable, while some scaled-down operations.

In effort to create a more competitive business model for certain destinations, some airlines have created subsidiary airlines that fly at lower operating costs. The low cost carrier (LCC) service today is a growing trend in parts of the world including Asia and the Far East. Recognizing the problem with the yield, the CNMI Air Service Committee was established under

⁵² At a public hearing regarding the decline of Saipan's garment industry in 2003, testimony from Continental Airlines noted that the airlines was receiving over \$22 million in annual cargo revenue due to the industry.

the Governor's Strategic Economic Development Council and MVA leaders reached out to leading global LCC's over the past five years. Unfortunately, in Northeast Asia, the growth of LCCs has been slow to catch on due to the dominance of the established legacy carriers and to date no known LCC has taken a serious look at introducing service into the islands.

Seasonality and "Death Valley"

It is common for international air service to Saipan to be scheduled according to holiday and slow periods. This means that service peaks in January-February, drops from April through May, picks up in the summer months, and then drops again from the end of September through mid-December. Additional charter flights are typically scheduled at the end of December through the Lunar New Year and sometimes during other special holidays.

Tourism stakeholders are familiar with a common annual problem: survival of what is often described as the "Death Valley" period from the end of September through early December. Depending on whether there is adequate marketing support, whether source cities are performing well for the airlines, and whether airline load factors meet their high targets, flight schedules to Saipan often drop with short notice during this time of year. Secondary cities are usually the first to be cut, as in the ever-changing schedules from Osaka and Nagoya in Japan, and Bussan in Korea.

High fluctuations have also been experienced throughout the year from China. Saipan has had weekly charter flights, but airlines change their contract terms according to the season. Historically, service from the more lucrative Beijing market has only been seasonal during peak holidays.

Night flights versus 3D service

Another problem has been the timing of service for night flights. Because airline slots at Narita Japan Airport and other major cities come at a premium, often times the only available and/or lowest cost time for airlines to serve the Northern Marianas is at night. Especially now with longer U.S. Immigration lines in the middle of the night, tourists are quick to complain about their arrival experience in Saipan.

Ever-changing schedules have also made it difficult for tour agents and other marketers to promote the islands. This is especially true for Japan, where there is a six-month lead time required for the "Shimoki" and "Kimiki" bi-annual selling seasons to be published in tour agent brochures.

Charters as a means of increasing air capacity

The Northern Marianas have benefitted for many years from seasonal Japanese charters, which have been sponsored by tour agents and major airlines. These charters have come regularly into Saipan during the cold winter months and the traditional Japanese "Golden Week" at the end of May.

The island of Rota received its first charter flights directly from Japan in 2008 and 2009. A local tour company, PDI and its parent company Kinki Nippon Tourist Co., Ltd. sponsored the flights via Continental Airlines. Rota received a record 28 charter flights in 2008, which greatly boosted the small island economy. The cost of the charters was partially subsidized by the Marianas Visitors Authority, but was discontinued in 2010 when the budget from the central

CNMI government was no longer available. Efforts are ongoing by Rota leaders to try to re-establish a minimum goal of 10 charters per year from Japan.

The China tourist market has been built solely on charters since the islands received their first tourists from that country in 1998. Regular charters have operated up to six times weekly from Guangzhou, Shanghai and Beijing, China. Just a short four to six hour flight from China, these charters sponsored by the Tinian Dynasty Hotel & Casino and Century Tours & Travel have capitalized on the islands Approved Destination Status in China and provided a viable way to grow the market in a controlled manner.

In a recent development, Air China announced in October of 2011 that it would imminently begin flying scheduled weekly service from Beijing. In a joint venture between Dynasty Holiday, Century Tours and DFS, new flight service will also be launched from Beijing and Shanghai via Sichuan Airlines with two additional A330 planes. The result of these new developments is that the islands expect to increase Chinese arrivals to 70,000 to 80,000 tourists per year in 2012, up from 46,451 Chinese tourists in 2011.

The islands have also experienced direct charters from Russia. The first-ever Russian charter came to Saipan in 2007 (detail). Vladivostok Avia then responded to demand from travelers in eastern Russia by setting up charter flights in December 2008 and January, 2009. Both of these charter arrangements occurred before the takeover of immigration authorities by the U.S. federal government.

Hotels and other stakeholders which are currently serving Russian tourists in the Northern Marianas have expressed an interest in other charter services in the future in order to solve the problem of seat shortages for Russian tourists coming to Saipan. Charters are also seen as an efficient means to compete more effectively with many other Asian destinations which offer the convenience of regular service directly from Russia. A number of Caribbean destinations are fed by charter flights from North America and European points in similar fashion.

Inter-island air service

Several inter-island air carriers offer service between Saipan, Tinian, Rota and Guam. The service is currently provided by Freedom Air, Cape Air and STAR Marianas. Cape Air operates under the United Express banner, formerly known as Continental Express, and as such is supposed to meet a high service standard befitting that of a major world carrier. It schedules its flights to arrive into the Guam airport, allowing customers to connect on United Airlines. The cost to fly round trip between Guam and Saipan is usually over \$250 for the 135-mile flight, an extremely high cost per mile. Moreover, the operational reliability of Cape Air has at certain times of the year been extremely deficient, with unannounced cancellations and suspensions of operations for weeks at a time.



STAR Marianas operates an innovative service as a non-scheduled charter airline, supported through an essential partnership with its key customer, the Tinian Dynasty Hotel & Casino. This tie-up covers the airline's base cost of operations, allowing for as many as 100 flights in a 24-hour period to bring international tourists to Tinian day and night. By providing

high frequency, low cost service, this small locally-owned airline has bridged the gap that was left behind when the Tinian Dynasty's lone sea ferry ceased operation in 2009. The cost of the six-minute flight between Saipan and Tinian can be as low as \$30, depending on the package with hotel, quite a nominal fee for those wishing to gamble at the casino. The only major inconvenience is the small unpressurized propeller planes, with seating for as few as five passengers; large groups destined for Tinian must be split and in most cases, must spend at least one night on Saipan upon arrival.

Rota air service is provided by Freedom Air and Cape Air. The service remains relatively expensive at more than \$150 round trip and with less frequent schedules than the other two islands. In recent years, both airlines have experienced difficulty with equipment and have periodically suspended operations. Despite the excellent scuba diving and other attractions on Rota, the high cost makes it somewhat more difficult to market Rota for casual getaways for Guam residents and military family R&R.

One activity that has not been fully developed in the islands is "flight-seeing" services for tourists wishing to see the turquoise waters, jagged rocky cliffs and formations and green mountainous slopes. Although helicopter tours have been available in the past, during the 2011 field work for this plan there was no publicity for such air touring.

Is it time for a flag carrier?

If the Northern Marianas cannot stabilize its own air service through subsidies, should the CNMI government consider investing in its own flag carrier or a regional carrier? This discussion has taken place in many public and private forums in the islands over the past decade. Understandably due to the high cost and risk which would be in the millions of dollars, the local government has not yet invested in year-round airline subsidies of regular schedules, nor has it set up its own flag carrier. In 2011, two new developments offered hope for new locally-based service.

Fly Guam. In early 2011 a new privately-owned carrier, Fly Guam launched inaugural service from Hong Kong. The company initially provided two round trips each week to Saipan-Guam-Hong Kong with a Boeing 737-400 aircraft and 130-seat capacity, but then temporarily suspended some service later in the year. The airline initially expressed a desire in serving other routes in the future, announcing that they are also looking at inter-island routes between Saipan, Tinian and Rota. However, in 2012, the airline declared bankruptcy after nearly an entire year of losses.

Saipan Air. A second major development for new air service came with the November 2011 announcement by a locally-based firm, Tan Holdings that it will form a new airline together with other investors in 2012. To be christened "Saipan Air," the company stated that new venture would provide direct service from the islands' largest tourist market, Japan. As of this report, the airline was scheduled to launch its inaugural flight on July 1, 2012 using two Boeing 737 aircraft, initially focusing on the key Japanese airports of Narita, Nagoya, and Osaka. With this strategy, Saipan Air executives forecasted an annual increase in Japanese tourist arrivals by 200,000 or 47 percent.

The need for an inter-island ferry

Reliable sea ferry service is important not only to increasing the opportunity for inter-island access, but also to providing cargo and logistics support to meet critical island needs.

For more than a decade, the Tinian Dynasty Hotel & Casino operated a ferry in between the islands of Saipan and Tinian. The trip took approximately 45 minutes and was used by tourists and local residents alike. The ferry made group travel possible and at times also aided in logistics, transmitting equipment, needed food items and other cargo in between the islands. It was also available for medical referrals, for example, if someone needed to transfer to Saipan on a stretcher.

The privately-run ferry ceased operations in 2009 due to the high cost of maintenance. Since the loss of the ferry, the island of Tinian has lost key logistics capabilities, such as in international sports competitions that relied on the ship for logistics.

In 2009, the CNMI's Comprehensive Economic Development Planning Commission through its *Comprehensive Economic Development Strategic Plan for 2009-2014* identified the need for a super ferry to help increase commerce, travel and shipping between the islands. It envisioned a ferry that would accommodate vehicles and would help facilitate travel for the military to training exercises on Tinian and travel for tourists from Guam to the other islands. Such a project would support the growth of the inter-island tourist industry, as well as provide ancillary benefits to future military activities.

How can the islands start up a ferry service? At several times over the years, investors have come forward with proposals to begin new ferry service. Due to the high cost, most have requested some type of public-private partnership, wherein the islands and/or the U.S. military would share in some of the cost. Other possibilities may exist through subsidies and grants through the U.S. Department of Transportation, but this will require research and a team to lead the effort. For the long term good of the tourism industry as well as local residents, it would be beneficial to have as many transportation options as possible in order to promote tourism and economic development in the islands.

Key points and recommendations

In order to address the critical shortage of air service, the Northern Marianas must fully understand the root causes of its air service instability. Clearly the issue of return on investment has been a major factor in airline decisions. Therefore, CNMI government leaders should strive to reduce costs and drive change that will help improve airline profitability in serving the market.

- To help ensure that airlines are successful in serving the islands, the MVA and tourism businesses must market adequately overseas to drive demand in key source markets. Without adequate marketing, unused air capacity will continue to be a deterrent to increasing airline service.
- The islands should seek to form new partnerships with international air carriers that offer a LCC business model.
- The CNMI Air Service Committee should study other island destinations that have created successful partnerships with airlines and consider whether the time is right for new models of doing business. These may include subsidies and public-private partnerships in airline ownership. PPPs may be well suited for the islands to get involved with new regional airlines or signature carriers.
- The CNMI government should lead an initiative and pursue all avenues to establish new inter-island ferry service. A first step could be to survey possible technologies in use in other island regions to identify vessel makes and models that might be technically

suitable. A second step could be to research grant/subsidy practices in other parts of the U.S. for potential application in the islands.

Best practices: airline market support in island destinations

In 2009 when the worst of the U.S. recession hit, air fares rose from an average of \$500 or \$600 to as much as \$1,000 for a coach class fare to the Caribbean. By mid-December, many hotels found themselves struggling and bookings during holiday periods were half of what they were in 2007. Some Caribbean governments launched emergency advertising blitzes, while others rushed to provide airline subsidies. A number of luxury resorts avoided longer-lasting room rate erosion by promoting airline credits as a way to increase demand.

In the same year, the Caribbean Tourism Organization did a research test to see whether people would respond to very low airfares during the height of the economic recession. The organization ran a promotion on a website and sold 2,000 seats in 3 days in an offer for subsidized discounted airfares. For the long-term good, the organization felt it was better to subsidize air fares than to reduce hotel room revenue which stayed longer in the economy.

The practice of governments and national tourism organizations subsidizing flights or buying shares in regional carriers is not a new concept in the Caribbean. It has been done successfully in many other destinations around the world. Like the Northern Marianas, most Caribbean nations are completely dependent upon tourism for their economic survival. Some have taken a regional approach to airline subsidies and market support.

The Cayman Islands government spent \$11 million on its own national carrier, Cayman Airways, adding non-stop service to service U.S. cities. The government found that airline subsidies pay, given their “overall economic contribution.”⁵³

The country of Grenada -- a small economy with 100,000 people and 1,500 hotel rooms -- has invested in Liat Airline and is engaging in a partnership approach with other airlines serving the Eastern Caribbean. In Grenada where tourism makes up 25% of the islands’ gross domestic product, air service is treated as a public utility, a necessary investment because it serves an essential need to bring in tourists. Aside from its investment in Liat, Grenada’s annual budget for subsidies to other airlines is \$3 to \$4 million U.S. dollars per year to stabilize service. Subsidies are increased or reduced as needed according to when airlines serving the market reach a level of profitability. The subsidies are backed up with continuous destination marketing.

To protect its \$2 billion in annual visitor spending, Jamaica signed a \$4.5 million revenue guarantee with American Airlines in 2009 to add service. Jamaica also has its own national carrier, Air Jamaica, which provided transportation to some 50% of the country’s tourists.

The Caribbean isn’t the only region where governments invest in air carriers. In the 1970’s, tourism surpassed agriculture as Fiji’s leading industry, making a regional carrier – Air Pacific – so important that the Fiji government acquired a controlling interest in the airline. Two political coups in the late 1980’s crashed the Fiji tourism market, and international carriers withdrew from the destination. This further underscored the importance of Fiji having its own national airline. Air Pacific today is the leading airline in the South Pacific and maintains a fleet of jets operating to 16 cities in 11 countries.

⁵³ Sources: various articles in ETN Global Travel Industry News from 2009 to 2011.

HOTEL ACCOMMODATIONS

A mature destination with a range of hotel facilities

From small budget hotels and boutique properties to large, full-service resorts, one characteristic that distinguishes the ambiance of the Northern Marianas from other destinations is the fact that the hotels are spread out with some distance in between them, thereby providing a more relaxed and in many cases, a somewhat more secluded atmosphere.

Saipan has nine operating resorts; Tinian has one casino resort and Rota has one golf resort. Two of Saipan's hotels feature waterparks, and three are golf resorts. The islands' hotels do not participate in the international star rating system. Luxury accommodations are very limited, and there are no true five-star accommodations in the destination at this time. As fallout from the prolonged downturn in visitor arrivals, most hotels in the Northern Marianas have experienced major challenges, if not sustained financial losses. Just as visitor numbers have declined, the cost of utilities, labor, fuel, shipping, food and most commodities have increased over the past decade. Under such circumstances, one would normally see increased room rates. However, because of intense competition from many destinations in Asia with lower costs of doing business, the Northern Marianas' hotels have not been able to pass along the increasing costs to their customers.

Efficiency, diversification and yield management have become foremost challenges for Marianas hoteliers. Efforts to reduce costs have resulted in deferred improvements and expansion plans for some, and closure of some facilities and rooms for others. Virtually all of the hotels have had to find ways to increase efficiency and save on operating costs, including cutting energy use, reducing the workforce, cutting employee benefits, and periodically reducing working hours during low seasons.

Key performance measures for hotels

Since 1986, the Hotel Association of the Northern Mariana Islands (HANMI) has provided a forum for hotel executives to discuss key issues affecting the islands' hospitality industry. The association has tracked certain performance measures for the industry since 1992. These include average occupancy rate (AOR), average daily rate (ADR), hotel occupancy taxes and employment statistics. Statistics are gathered on a monthly basis by the Association's staff and/or its treasurer, who apply a weighted average based on the number of rooms open at each member property on Saipan.⁵⁴

The AOR is established by dividing the number of occupied rooms by the total number of rooms in a hotel to arrive at a percentage. The peak occupancy reported by HANMI was in the year 1997, when the organization's average reached 86.4%.

The ADR considers the total room sales on a given day divided by the number of occupied rooms. It fluctuates according to seasonality and is impacted by discounts and commissions paid to tour agents and other distribution channels such as internet websites. Walk-in or "rack" rates charged to foreign independent travelers (FIT) are typically the highest, while

⁵⁴ Tinian and Rota hotels are not members of HANMI and did not participate in the statistical reports.

packaged group rates charged to major tour agents on contract are typically the lowest. Rates can also be impacted by currency exchange rates. The peak ADR for Saipan's hotels was achieved in 1997 at \$136.06.

The profit a hotel can make is a reflection of the cost of developing, maintaining and operating the facilities, the cost of the hotel's land lease⁵⁵ and periodic improvements and renovations, as well as the cost of utilities, supplies and labor, depreciation and other factors that are at management discretion. Other means of gauging a hotel's financial performance include food and beverage sales, spa and other amenities sales. These key indicators are not shared among HANMI and are therefore not available for this report.

Occupancy rates and average daily rates as recorded by HANMI demonstrate the industry's challenges.⁵⁶ The figure below shows non inflation-adjusted room rates. Since 2006 and the pullout of JAL, (*see Chapter 4 Transportation section*) the hotel occupancy rate has remained below 64%, while inflation-adjusted room rates declined by about 12% from 2006 to 2009 alone.⁵⁷

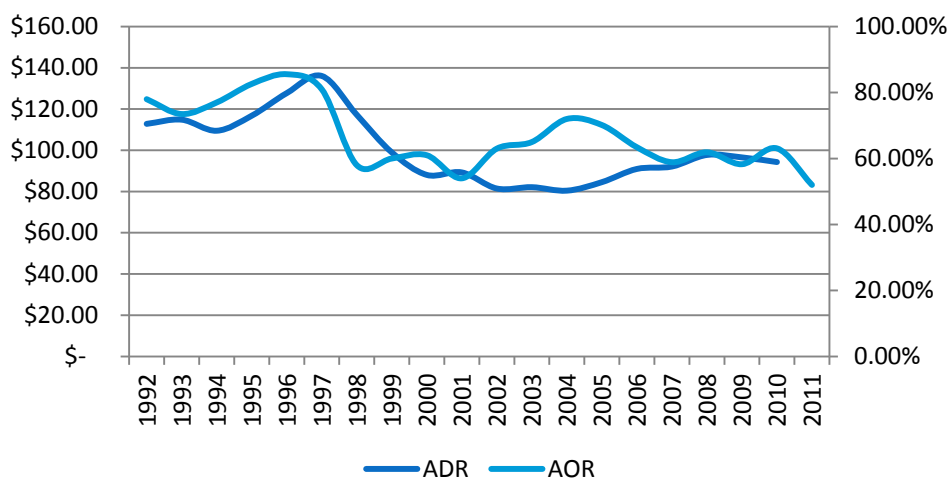


Figure 2: Average Daily Rate vs. Average Occupancy Rate for Northern Marianas Hotels

The long-term loss of business amid rising costs has taken its toll. Over the past decade, the Northern Marianas have seen a 13% overall decline in the number of operating hotel rooms. Closures have occurred primarily since 2006 due to the drop in Japan air service and rising costs of doing business. The largest losses were on Saipan, which saw the closure of two Northern-based hotels, the 114-room Plumeria Resort in 2009 and the 313-room Palms Resort in 2010. Accommodations



⁵⁵ All of the U.S. and foreign-owned resorts and most of the small hotels in the CNMI are on leased land; only hotel firms owned by indigenous people can own the land they sit on.

⁵⁶ The Hotel Association of the Northern Mariana Islands is a professional organization of executives of approximately 12 hotels on Saipan. Other members include firms that do business with the hotels.

⁵⁷ GAO-11-427.

on the island of Rota dropped from 11 hotels to seven. The Rota Pau Pau Hotel, with 50 rooms was the first to close, followed by several small, locally-owned properties. Tinian lost one small locally-owned establishment, the 14-room Tinian Hotel. Table 26 shows the number of hotel rooms by island and how the operating inventory has changed in the period following major reductions in international air service.

Table 20: Operating Hotel Rooms in the Northern Marianas

	2007	2011	% Change
Saipan	3,635	2,909	-20.00%
Tinian	452	440	-2.60%
Rota	243	162	-33.00%
TOTAL	4,330	3,511	815

How many tourists would it take to sustain the existing hotels?

The profit a hotel can make is a reflection of a number of fixed and variable costs. Higher costs of doing business in the Northern Marianas due to the high expenses of utilities, imported goods and rising costs of labor may indicate a relatively high threshold for return on investment. In many parts of the U.S., a typical hotel's breakeven point may be 55% to 60% occupancy, with businesses striving to reach at least 10% beyond that in order to make a fair profit. The breakeven point may be higher or lower based on the costs of doing business as well as the efficiency of the hotel and management practices.

For the sake of developing reasonable targets, each of the islands in the Northern Marianas would need to receive an adequate number of tourists to fill existing hotel room inventory.⁵⁸ A target of at least 75% occupancy as a yearly average would seem to indicate a minimal level of profit for the hotels for long-term sustainability of investments.

Table 21: Number of Guests Needed to Fill Existing Hotel Rooms

		Annual Rooms	Average	Average	Visitors at	Visitors at	Visitors at	Visitors at
	Rooms	Available	Stay	Pax/Rm	100%	75%	60%	50%
Saipan	2,909	1,061,785	3	2	707,857	530,892	424,714	353,929
Tinian	440	160,600	2	2	40,150	30,113	24,090	20,075
Rota	162	59,130	2	2	14,782	11,087	8,870	7,391
Visitors needed to reach occupancy targets					782,789	572,092	448,804	381,395

Based on the calculations above, the current fiscal year's arrivals at 338,106 were not adequate to provide a profitable level for the hotels, even with several properties closed for the year 2011. Saipan should target a level of at least 540,000 visitors annually, while Tinian's goal

⁵⁸ These targets do not include hotels which were closed for business as of the time of this report in November 2011. Therefore, the Palms Resort, Plumeria Resort and small hotels on Tinian and Rota were not included.

should be 30,000 visitors and Rota's should be 11,000 if visitors maintain the current average night's stay. The average stay for each island shown in this table was calculated from the 2011 Visitor Exit Survey.

Another way to achieve higher occupancy would be to encourage longer stays. It should be noted that visitors typically stay for fewer nights on Tinian, as they generally transit either via Saipan for one night. The average number of room nights for all markets indicated above does not consider Russian tourists, which typically stay for an average of 13.5 nights, but make up only a small percentage of the total visitors. Travelers from the U.S. also tend to stay longer, presumably due to the high cost of travel and length of time it takes to fly to the islands.

Challenges for the hotel workforce

In any economy, a leading factor that attracts or deters business is access to skilled labor to meet business needs. In the mid-1990's, HANMI initiated discussions among its personnel managers in order to address workforce issues. This led to the founding of another organization, the Society of Human Resources Management (SHRM). Initially made up of the human resources managers of Saipan's hotels, SHRM quickly became a full member of the U.S. national organization by the same name and grew its membership to include other types of local businesses. To its credit, SHRM has become an active force that helped professionalize the human resources function in the islands, providing a forum for the sharing of ideas and training opportunities to meet the challenges of employers and employees.

Considering the high costs of doing business in the islands, for many years access to skilled foreign workers at relatively low cost was one of the few equalizing advantages that the Northern Marianas hotel industry had over other destinations. The CNMI government controlled its own immigration until 2008, and allowed hotels and other businesses to recruit foreign workers according to need. Due to the small population of U.S. citizens available to work in the private sector, a shortage of foreign language skills, and the islands' lack of formal training opportunities for tourism, foreign workers became a dominant factor in the industry. Foreign workers at one time made up as much as 80% of the industry's workers.

Today, a critical issue confronting the islands' hotels is to how to maintain a stable workforce in the face of "federalization" of minimum wage and immigration. The imposition of two new U.S. laws in recent years has had a profound impact on costs and regulations governing access to the workforce. These are the introduction of U.S. minimum wage, and a takeover of immigration authority.

For the first time, the U.S. minimum wage was applied to the Northern Marianas in 2007, with the enactment of P.L. 110-28, a new federal law that required incremental increases in the minimum wages of American Samoa and the CNMI. The law mandates that the CNMI minimum wage shall increase by \$0.50 per year until it reaches the U.S. minimum of \$7.25. After four increases which raised the minimum from \$3.05 to \$5.05, the next wage rate increase was suspended for one year in 2011 in order to allow for federally-sponsored economic studies to be completed. In its report to Congressional Committees, the United States General Accountability Office (GAO) noted that,

"In discussion groups, private sector employers said minimum wage increases imposed additional costs during a time in which multiple factors made it difficult to operate. In the tourism industry, scheduled minimum wage increases through 2016 would affect 95 percent of workers employed by questionnaire respondents.

Tourism employers reported that they took cost-cutting actions from June 2009 to June 2010 and planned to take additional actions, including laying off workers... available data suggest that hotels generally absorbed minimum wage costs rather than raise room rates. Hotel payroll will represent an increasing share of total operating costs due to the minimum wage increases. In discussion groups, some tourism employers expressed concern about the minimum wage increases, but others said that the increases were needed and manageable and that the primary difficulty was the CNMI tourism industry's decline."⁵⁹

Reflecting efforts to reduce costs, members of the Hotel Association of the Northern Mariana Islands in fact reduced their total workforce by 15.3% from 2007 to 2010. In media interviews, hotel executives also stated that they have reduced working hours, cut back on services, froze hiring, decreased benefits, and raised some prices.⁶⁰

Impacts of federalization of immigration

In May 2008, U.S. Public Law 110-229, the Consolidated Natural Resources Act (CNRA) placed the immigration function under the control of the U.S. Department of Homeland Security. A cap was placed on the number of aliens residing in the CNMI on the date the law passed, at a level of just over 22,000 foreign workers, students and investors. After an initial six-month extension, the beginning of the first two-year transition period from local to federalized immigration began on November 28, 2009. During the transition, federal officials announced three sets of regulations affecting foreign nationals:

- 1) The Joint Guam-CNMI Visa Waiver program for Tourists. These regulations released in March 2011 created a joint visa waiver system for the two U.S. insular areas. Members of the tourism industry and the local governments were disappointed to learn that China and Russia were not among the visa waiver countries, potentially putting these significant markets in jeopardy for the Northern Marianas. However, upon providing documentation that the markets offered "significant economic benefit" to the CNMI economy, the Secretary of Homeland Security instituted a temporary "parole" program allowing Chinese and Russian tourists to enter the Northern Marianas. The program can be revoked upon the Secretary's sole authority.
- 2) Regulations affecting Foreign Investors and Students. The U.S. Citizenship and Immigration Service released regulations governing foreign investment in the Northern Marianas on December 20, 2010⁶¹. While the investment regulations did not appear to cause alarm among major investors, they set a minimum threshold limit at \$150,000 that will affect small businesses. The student regulations mirrored the system in the U.S. and did not have any significant impact on investment in the nascent education industry.

⁵⁹ "American Samoa and the Commonwealth of the Northern Mariana Islands: Employment, Earnings, and Status of Key Industries Since Minimum Wage Increases Began," U.S. General Accountability Office, GAO-11-427, June 2011.

⁶⁰ "NMI Hotels worried about access to alien labor," Marianas Business Journal, August 15, 2011.

⁶¹ "CNMI E2 Immigration Status for Foreign Nationals," www.uscis.gov

- 3) Regulations affecting Foreign Workers. The alien work regulations released in September 2011 provided for a temporary system which created a CNMI-only “CW” work visa for foreign workers during a transition period through the end of 2014. This was significant for tourism businesses in the Northern Marianas because of the year-round, “permanent” nature of the work versus the seasonal or temporary nature of work allowed under U.S. “H” work visas. Additionally, a large percentage of the tourism industry’s foreign workers could not otherwise qualify for “H,” or “L” visas which have high education and skill requirements.

Under the interim regulations, all businesses were required to first consider available U.S. workers at prevailing wages in order to receive approval of a petition to employ an alien worker. Another important feature of the regulations was the mandate that the total number of permits would be reduced each year of the transition period. It was announced by Homeland Security that there will be a one person reduction for 2012 and thereafter, the Secretary will publish an undetermined number of annual reductions through regulations.

At the end of 2014, unless the transition program is extended by the U.S. Secretary of Labor, the CW permits will be reduced to zero and all foreign workers will need to qualify for other types of U.S. work visas.

Based on these regulations, the hotel industry must address considerable challenges: continued access to visitors from countries the islands have already invested in, how to increase the number of U.S. citizen workers in the industry, and continued access to the “essential” foreign workers in certain job categories. At the same time, because there is inadequate formal training for tourism jobs in the community, the hotels must invest in on-the-job training of employees and/or support a program in hotel trades at a local vocational institution.

Despite federalization of immigration, the ratio of foreign workers to the total hotel workforce has remained somewhat constant, from 63% according to a HANMI minimum wage survey in FY2007 to 61.5% as of the end of FY2010. Micronesian workers represented 5.9% of the workforce in FY2007, dropping slightly to 5.5% in FY2010⁶². U.S./CNMI citizens represented 31.1% of the workforce in FY2007 and increased slightly to 33.1% in FY2010 (Table 28 below).

Table 22: HANMI Employment, FY2007 – FY2010

FY	2007		2008		2009		2010	
	#	%	#	%	#	%	#	%
Micronesian	113	5.9%	113	5.8%	100	5.4%	89	5.5%
U.S./CNMI	599	31.1%	633	32.3%	614	33.4%	539	33.1%
Foreign	1,214	63.0%	1,213	61.9%	1,123	61.1%	1,002	61.5%
TOTAL	1,926	-	1,959	2%	1,837	(1%)	1,630	(17%)

Figure 27 below illustrates the worker mix by nationality has remained constant since FY2007. The total amount of workers has decreased but the mix of workers from Micronesia, U.S./CNMI, and foreign has not changed drastically.

⁶² Citizens of the Federated States of Micronesia do not need a visa to live and work in the Mariana Islands.

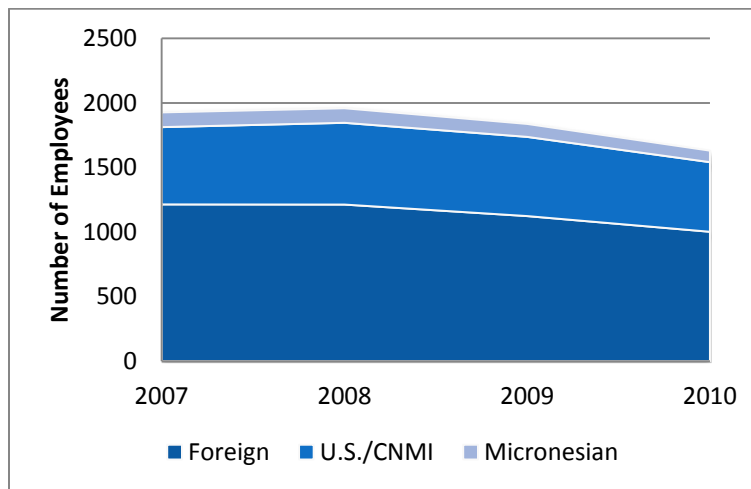


Figure 27: HANMI Employment, FY2007 – FY2010

Employment of foreign workers was essentially “frozen” in place from 2008 to 2011, while the hotels and their workers awaited the outcome of immigration rules affecting the foreign workforce. In November 2009, a two-year CNMI “Umbrella Permit” program allowed for a two-year permit to keep workers in their jobs. This was reflected in the low turnover. However, with new U.S. visa requirements and the CW permit, it is expected that the hotels will shift more of their workforce to local hires due to the high cost of visas and the uncertainty of whether the CW visa will continue to be available after the PL 110-229 transition ends in 2014.

Self-sufficiency for power and water

Another major cost factor for Northern Marianas hotels is the need to generate electrical power and water. Due to the fact that many of the hotels were built at a time when the islands could not provide an ample and steady supply of these essential utilities, the hotels were required to invest in and maintain in-house electrical power plants, their own water wells, and water desalination plants. While at times these generators have been controversial due to the fact that hotels can be fully independent from the island-supplied utilities, they have been the “saving grace” at times when island-wide electrical power outages were unavoidable.

Hotels in the Northern Marianas have reported that the cost of generating their own electric power is one of the greatest expenses – as much as 30% to 40% of a hotel’s operating costs, depending upon the cost of fuel. In addition to the large generators, the hotels have also had to maintain highly-skilled staff that is capable of maintaining the equipment.

Several hotels – including the Pacific Islands Club, Coral Ocean Point Golf Resort and Aqua Resort Club were built during a time when Saipan had a shortage of power. Each of these hotels was required to install their own generators and have remained independent from island sources since they opened. Virtually all of the resorts and even several small hotels on Saipan were requested to run their own generators during a major power crisis of the Commonwealth Utilities Corporation (CUC) in August and September 2008, when the governments’ generators were down for maintenance. Despite this, there have also been times in the history of the hotel industry when the CUC had excess capacity it wanted to sell to these high power users.

As of this report, the resorts have not yet utilized renewable energy, nor co-generation of power. Only two small hotels – the Century Hotel on Saipan and the Coconut Village on Rota

have limited solar power systems. To supply fresh water to hotel guests, virtually all of the islands' large hotels have had to provide their own wells and desalination systems. For resort properties, it is not unusual for the cost of multiple wells, equipment and re-injection of the brine wastewater to cost millions of dollars.

Land leasing holds back investments

While not every hotel has been able to afford ongoing improvements and renovations, several resorts have done so in order to remain competitive. Other hotels have put renovations on hold pending the uncertainty of immigration rules, air service capacities and visitor arrivals, as well as clear direction from the government on public land lease renewals. Over the years, hotel managers and owners have repeatedly stated that one of the greatest challenges has been the Northern Marianas' land leasing system.

Most of the resorts on Saipan, Tinian and Rota are located on public land, which is governed by Article XI of the *CNMI Constitution*. Under Article XI, businesses may lease public land for a maximum of 40 years, of which 25 years must be approved by both houses of the CNMI Legislature. Any lease of more than five hectares also requires legislative approval. For those hotels that are on private land, Article XII allows for 55-year land leases from the indigenous owners.

What happens when leases run out? Many of the older properties built in the 1980's are nearing the expiration of their original land leases, and therefore are having a difficult time justifying and financing improvements.

Prospects for new resort investments

Over the years, a number of prospective investors have made exploratory visits to the Northern Marianas to consider the purchase of existing hotels or development of new resorts. The CNMI government maintains a list of suitable public land for development, which still includes a number of beachfront sites. Several major investments have been planned, announced, and even broken ground -- only to be put on hold.

Any major new resort development in the Northern Marianas would bring new dollars into the economy at a critical time when the islands need investment. A major project in any of the islands could be a "game-changer" to help halt the downward spiral. However, given the number of uncertainties faced by major employers, even the existing hotels have faced considerable difficulty in long-term business planning, an important aspect of running a successful business. New investors typically discuss the business climate with long-standing businesses and professional associations including HANMI and the Chamber of Commerce. Unless the investor has a ready market for its business and can get a clear enough picture as to future operating costs, the current conditions under which the hotels are operating give little assurance that new developers will find a return on investment.

Key points and recommendations

- Policies and laws of the CNMI and federal governments can have a major impact on profitability of hotel businesses. Because the island economy is so dependent on tourism, local policymakers must have a regular dialogue with hotel executives so they can fully understand the issues that affect the industry's success or failure.

- To achieve healthy tourism businesses and adequately fill the current capacity of open hotel rooms, Saipan must target at least 530,000 visitors annually. Tinian's goal should be no less than 30,000 visitors and Rota's should be 11,000. To reach these targets, the islands must increase air service and continue to have access to diverse tourist markets, which today include Japan, Korea, China and Russia.
- Providing an adequate government marketing budget for the destination is essential to build demand and increase tourist arrivals. To provide for growth and long-term stability for these markets, the Northern Marianas should seek the inclusion of China and Russia in the Joint Guam-CNMI Visa Waiver Program.
- Recognizing the high cost of doing business in the islands, any help from the government to reduce taxes, fees and the costs of necessary public services will help increase profitability and make the Northern Marianas a more competitive investment destination.
- The CNMI government should pursue federal energy-saving programs, grants, and work towards greater energy efficiency and renewable energy, which in turn will help tourism businesses to operate more profitably.
- CNMI policymakers must quickly address the current uncertainty in the land leasing system for existing hotels in order to increase investor confidence, and help open access to financing of renovations and improvements. To provide the most effective stimulus for growth in hotel investment, the islands should open up the opportunity for land ownership by U.S. and foreign businesses.
- Hotel owners must continue to invest in improvements and renovations to keep their facilities in presentable condition for tourists. The CNMI government should continue to provide incentives, quantified with measurable goals to help encourage such investment. For instance, if necessary to generate investment that would not otherwise occur, the Qualifying Tax Certificate could be made available to existing businesses on a limited basis with performance goals.
- The presence of closed, abandoned hotels creates a negative image for the Northern Marianas as a tourist destination. The CNMI government should not allow closed hotels to become abandoned for long periods of time. Zoning policies and enforcement must be put in place to keep any closed properties from becoming derelict. For example, in a worst case, derelict properties could eventually be declared "condemned" and taken over by the government, then marketed for new investors. This would require a change in current law, and would require follow up by the CNMI government in a systematic approach to dealing with abandoned buildings.
- The CNMI government should take advantage of the U.S. EB-5 visa program which can provide long-term residency privileges for qualified foreign investors and their families. This can be a tactic to help attract foreign investors to re-open closed resorts or invest in new ones.
- Recognizing that the workforce is a vital component of tourism, the CNMI government must initiate a coordinated, sustained effort to address the complex issues now challenging tourism employers and workers. Federal grants and other technical assistance should be pursued by the CNMI government, Northern Marianas College, the Public School System, the Marianas Trade Institute, HANMI and SHRM to address specific training needs. This must include foreign language training, hospitality skills, and other training to create a pipeline of citizen workers. Federal subsidies for on-the-

job training from the Department of Labor through the Workforce Investment Agency program should also be pursued. At the same time, the CNMI government should develop targets and monitor progress to increase the number of citizen workers employed in hotels by a certain percentage each year.

THE TOURISM WORKFORCE

As the economy of the Northern Marianas has declined with the total loss of the garment industry and substantial drop in tourism, thousands of public and private sector employees have been affected by reduced working hours, reductions in force and business closures. According to the U.S. Census, the population of the islands declined by more than 22% from 2000 to 2010. Many people left their homes to find employment opportunities elsewhere.

At the same time, the official implementation of U.S. PL 110-229 as it pertains to the Northern Marianas was designed to move the islands from a dependency on imported workers to more hiring of U.S. workers in the private sector. If this new law is fully implemented as written, it will reduce the number of alien workers available to hire in the islands each year.⁶³

With the economic difficulties and the changeover from CNMI government-controlled immigration to the U.S. immigration system, a great deal of uncertainty has shaken the community. Theoretically, the federal law provides for more stringent controls and should result in the hiring of more citizens. Its accompanying regulations require higher fees, more paperwork, and longer lead times to employ foreign workers than the former CNMI system.

Full enforcement of the new regulations is now placed with the U.S. Department of Homeland Security, which began establishing a greater presence in the Northern Marianas in 2009. Since that time, a public information effort has been undertaken to explain the new law, its regulations, and new administrative procedures.

An uncertain transition to “federalization”

In the year 2011, tourism industry businesses employed approximately 4,000 foreign workers on Saipan, Tinian and Rota.⁶⁴ There are no comprehensive statistics available for the number of U.S. workers in the industry at this time.

For U.S. workers, the transition to federalization offered some hope of new job opportunities; however, enforcement procedures for hiring citizens on a preferential basis are still new and are evolving.

Because businesses have relied on foreign workers for many positions since the tourism industry first began, the uncertainty of federalization has contributed to confusion, morale issues and an inability of businesses to plan ahead. No one really knows what will happen when the current transition period ends in December 31, 2014 -- or whether it will be extended under the authority of the U.S. Secretary of Labor.

As of November 28, 2011, all alien workers were required to meet qualifications for U.S. visas -- namely L, H1-B or H-2B or to be sponsored by their employer under a new transitional

⁶³ The announced reduction for 2013 will be a minimum of 1 position, according to an announcement by USCIS. The full implication for alien employees and whether they would eventually be allowed to stay in the islands, however, was unknown as of the date of this report.

⁶⁴ Projection based on a forecast of job availability prepared by the CNMI Department of Labor. The report lists ONET occupational categories of foreign workers whose jobs would come up for renewal during the period of January to November 2011. www.marianaslabor.net

CNMI-only “CW-1” visa that was announced by U.S. Homeland Security on September 27, 2011. This special category can only be used if a citizen is not available for a given position and the visa must be renewed annually. The use of CW visas is allowed for the interim period only, which expires at the end of 2014. As of this date, the CW visas are to be phased down each year until they reach zero in 2014 unless the Secretary of Labor extends the date (for as much as five years) for reaching zero.⁶⁵

The dilemma of H visas for year-round tourism

U.S. businesses may use the H-1B program to employ foreign workers in specialty occupations that require technical expertise. Such workers typically include scientists, engineers, and computer programmers, among others.

By their definition and stringent requirements, very few foreign workers in tourism can qualify for H visas. The H-2B program allows the entry of foreign workers into the U.S., but only on a temporary or seasonal basis when qualified U.S. workers are not available and when the employment of those foreign workers will not adversely affect the wages and working conditions of similarly employed U.S. workers. This system was designed for agricultural workers in the U.S. or others that come in for seasonal or project employment. The requirement is problematic for the Northern Marianas tourism industry in that it has a year-round, permanent need for workers.

Another difficulty with H visas is that there is a national cap on H-1B petitions for each fiscal year. For example, the FY 2012 cap is 65,000 H workers for the entire U.S. This quota fills when the national economy is performing well and is inflexible during the year. The Northern Marianas and Guam were granted a temporary exception to this rule. Until December 31, 2014, petitions filed on behalf of CNMI workers are exempt from the cap. After that date, they will be subject to the same restrictions as the rest of the U.S.

Recognizing the limitations of H visas, most businesses in the Northern Marianas could not apply for their foreign workers until the announcement of the new CW visa. Because the announcement of the regulations was delayed until September 27, 2011, businesses then had only two months to evaluate their options, advertise all jobs held by foreign workers, receive and evaluate applications, and interview U.S. workers who applied.

To help in the process, the Saipan Chamber of Commerce conducted a prevailing wage survey, with the support of a grant from the U.S. Department of the Interior. The CNMI Department of Commerce also conducted a prevailing wage survey. Community job fairs were organized by the CNMI government. The Department of Labor and Workforce Investment Agency, as well as numerous other local organizations worked to place as many U.S. citizens as possible.

Will island businesses find enough qualified U.S. workers in the future?

The number of citizens that were hired in tourism jobs during this unusual period is as yet unknown. The current U.S. system is based on the concept of “U.S. workers” having a preference for jobs. U.S. workers include American citizens, citizens of the Federated States of

⁶⁵ As of November 2011, there was no formula provided to explain this process of reduction.

Micronesia (FSM), and others who have treaty rights, and all U.S. green-card holders. Under normal circumstances, employee hiring and attrition occur throughout the year in any given business. With federalization, all CNMI-based permits expired on November 27, 2011, thereby creating a period of transition expense. The new regulations are less stringent than the former CNMI government regulations in terms of promoting the hiring of U.S. employees, but they do create more expense for hiring alien workers.

Training resources in high demand

Some on-the-job training is available for entry level positions at most hotels. However, for some specialty positions there is no training available anywhere in the islands. The Northern Marianas College offers a few courses in hospitality management. A new trade school, the Marianas Trades Institute was formed in April 2008 to offer courses in construction and other trades. It has expanded to offer some culinary classes with the help of Saipan's hotels. The Marianas Tourism Education Council (MTEC) is a non-profit organization that focuses on encouraging students towards tourism careers, but does not offer training. The CNMI Workforce Investment Agency provides for job placement services, the cost of training where it is available at local educational institutions, and some on-the-job training which are paid for by federal grants that are salary subsidies.⁶⁶

One of the most critical skills needed to increase the hiring of more U.S. workers is foreign language speaking ability in Japanese, Korean, Chinese and Russian. Previously under CNMI immigration authority, tourism businesses could hire people from these countries or from the Philippines, where foreign language and hospitality training is readily available and wages are lower.

Which tourism jobs are most affected?

The CNMI Department of Labor's 2011 job availability forecast sheds some light on the presence of foreign workers in selected positions in tourism:⁶⁷

Maintenance and repair workers, janitors and cleaners – 431
Maids and housekeeping cleaners – 423⁶⁸
Waiters and waitresses - 131
Chefs and head cooks – 108
Cooks, restaurant – 110
Landscaping workers - 53
First-line supervisors/managers of food preparation and serving - 51
Commercial scuba divers – 51
Sales managers – 47
Massage therapists – 66

⁶⁶ In 2011, the CNMI WIA placed over 700 workers in jobs throughout the CNMI under a work subsidy program.

⁶⁷ It is possible that not all of these positions are employed directly in the tourism industry, as some would work in businesses that focus on serving the community.

⁶⁸ A hotel industry rule of thumb is that one housekeeper can clean 8 rooms per day under normal circumstances. Therefore, based on the total number of rooms in the CNMI at 3,511, the hotels would require 439 housekeepers.

Tour guides and escorts – 37
Engineering technicians – 26

One of the greatest challenges in transitioning the workforce, if such will take place after 2014 (or any extension thereafter calling for a reduction in alien employees) will be in fulfilling hotel housekeeping and maintenance positions. Historically few citizen workers have shown an interest in these positions, which make up the largest segment of hotel work. Spa workers are another difficult category to fill.

Figure 28 demonstrates the makeup of a typical hotel workforce by number of jobs and skill levels. In the top portion, approximately 10% of the jobs in management and specialty positions require skills, training, experience and education. In the mid-section, approximately 30% of the jobs require some training and education or a special skill. In the largest portion of the triangle, some 60% of the jobs are unskilled positions. These jobs do not have special education requirements, but often involve some on the job training.

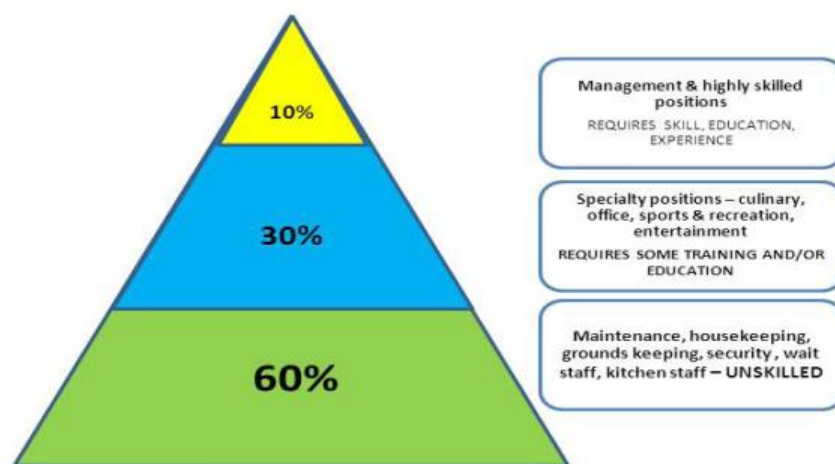


Figure 3: Typical Makeup of a Hotel Workforce

Future uncertainty for small businesses

Other than the hotels, the foundation of the island economy is small businesses that are largely owned by foreign nationals. Most small businesses serving tourists, i.e. land and marine tour operators, dive shops, restaurants, night clubs, massage businesses and spas, and small retail stores -- are foreign-owned. Most owners of small businesses work in their own operations. These businesses are among the most vulnerable in the possible future transition with U.S. immigration in that they will be affected by federal requirements for both foreign investment and for their foreign employees.

Current efforts to deal with these issues must necessarily focus on existing businesses, but what about future tourism expansion? If any large resort or casino developments take place, and if federal restrictions on alien employment do come into operation, the Northern Marianas will face labor shortages in the future.

Minimum wage increased 66% in 4 years

Businesses are concerned about access to a skilled workforce. They have also had to deal with rising costs of hourly wages. According to a recent study released by the First Hawaiian Bank, CNMI minimum wages have increased 66% since 2007, from an hourly rate of \$3.05 to the current \$5.05.⁶⁹ As discussed in the Hotel section of Chapter 4, a new U.S. law called for an increase the minimum wage by \$0.50 every year until it reaches the prevailing Federal level (currently \$7.25) by 2015. The planned September 2011 increase was temporarily postponed, but further U.S. Congressional action will be needed to postpone future increases until the Northern Marianas economy stabilizes.

The issue of minimum wage divides many politicians in Washington D.C. as it does in the Northern Marianas. However, in islands where incoming business is limited, rapid increases that cannot be paid for through business profits or price increases will mean that many businesses will need to reduce employees, reduce working hours or cease operating.

A study released in June 2011 by the U.S. General Accountability Office (GAO) found that 73% of tourism employees had an increase in wages following the most recent minimum wage increase in September 2010. The same report found that by 2012, tourism employers representing 62% of workers may need to lay off workers due to various factors, including rising costs and declining access to customers. CNMI workers who were surveyed by the GAO said that they welcome raises, but were worried about losing their jobs or having their work hours reduced.

Key points and recommendations

The Northern Marianas workforce transition under federalization still presents many uncertain variables for the future. It also presents a highly unusual set of circumstances that has already posed extreme challenges for businesses and their employees.

- For long-term sustainability, the tourism industry must hire and train more U.S. workers. The CNMI government, educational institutions and professional organizations will need to continue to tap into federal sources, such as the U.S. Department of Labor in funding solutions to workforce needs. The islands should quickly explore best practices from other states and territories that have leveraged limited local funds with federal resources to develop specific workforce programs. Applying for federal grants is a complex task, but one that island organizations – both governmental and non-governmental organizations like SHRM, HANMI and the Saipan Chamber of Commerce can tap into for funding. Some of the most effective workforce development programs in the U.S. are

⁶⁹ “Commonwealth of Northern Marianas’ Economy Continues to Struggle,” 2011-12 Guam-CNMI Edition, Economic Forecast, First Hawaiian Bank

federally funded and information is easily found through the U.S. Department of Labor website and weekly newsletter at www.dol.gov.

- The CNMI WIA and island employers should take maximum advantage of federal assistance for on-the-job training that provides meaningful salary supplements for taking on new U.S. workers. This kind of federal assistance is already in place in most U.S. states and is available at certain times through the CNMI Workforce Agency.
- The CNMI government must take the lead in developing an industry-specific tourism workforce plan that will help bring together and align the needs of businesses with educational programs and job seekers. All states in the U.S. mainland and many of the territories are receiving federal support for such efforts, and the islands should vigorously pursue the same opportunities.
- Education and job-training in the Northern Marianas must provide the U.S. labor force with the skills needed by tourism employers. Island stakeholders in education and business must work together with WIA to fast-track local educational opportunities in learning foreign languages, culinary arts, and the range of other skills needed in the hospitality profession. Especially given the CNMI's government's budget crisis, federal grants and other technical assistance must fund these programs. The CNMI government and other qualified organizations will need to research and develop grant applications.
- It would be beneficial for both the local community and businesses to encourage U.S. workers to enter the workforce when they are legally qualified, beginning as early as the age of 16. Internships, apprenticeships and other vocational training for teens should be encouraged, with applications made for federal funding for programs and on-the-job training. Additionally, one way other U.S. states have helped to prepare youths for jobs is through a certificate program that teaches basic work ethics to island youth at the high school level. This could be short course on the rights and responsibilities of being an employee, interview skills, resume writing, attendance (right and wrong reasons to be absent from work), on the job etiquette, as well as proper business attire. All high school and college students could run through this program and it would help employers to know that they can count on local people coming to work with these basics. They would get a certificate at the end stating that they were "work ready." Numerous other programs like this are federally funded.
- Manual labor positions such as housekeeping and maintenance will always make up the largest share of the hotel workforce. These are typically low-paying jobs and they are likely to remain so because they do not require a special skill or education. There is no easy solution to attracting U.S. workers to these positions other than pay for performance, and CNMI hotels are no different than hotels in the U.S. Mainland that experience similar challenges in filling these positions. Ultimately, community values and attitudes towards manual labor must change.
- Workforce training programs of tourism organizations such as the American Hotel and Restaurant Association, the UNWTO (www.unwto.org) and Pacific Asia Travel Association are good sources for best practice information and tourism and hospitality training materials. A wealth of information is available via the Internet.
- The need for foreign language skills is perhaps the single most significant factor in increasing the employment of U.S. workers in tourism businesses. It is therefore of urgent importance that educational institutions prioritize opportunities for teaching Japanese, Korean and Chinese, the three largest tourist markets.

DESTINATION MARKETING

The promotional budget for marketing the Northern Mariana Islands is at the lowest point it has been in many years. The CNMI government has faced the same difficult choice as many other locations and has chosen to sacrifice marketing in favor of funding essential services. The MVA's budget peaked at \$13M per year for operations and marketing in the mid-1990's; for FY 2012 which began in October 2011, the MVA's budget was just \$6M.

It was intended that the MVA budget be supplemented after the promulgation of regulations under P.L. 7-58, which will require airlines to collect a \$15 "travel promotion fee" for most incoming foreign visitors.⁷⁰ However, this law will not be implemented at least until FY 2013 due to its long-term impact on tourism marketing in Japan and other key visitor markets.

Even prior to the budget cut in FY 2012, the CNMI government has not had the cash to make the quarterly allotments that were to have been transmitted to the MVA from the General Fund based on the annual budget it should receive.⁷¹ As a result, the MVA accumulated debts and suspended all but the most essential elements of its marketing and special events programs.

The lack of destination marketing has had an impact on visitor demand. The resulting decline in market share is most evident in the largest market, which is Japan. Especially when compared to the marketing budgets of larger, more aggressive destinations like Guam and Hawaii, the Northern Marianas has lost much of its visibility in the Japan marketplace (see Chapter 2). Much of decline in the Northern Marianas' Japanese visitor number numbers can be attributed to lost air service, but without marketing, there is not enough demand to fill the existing air seats and trigger additional service.

Air service and marketing are simultaneously needed to attract tourists versus other destinations that are competing aggressively.

What can happen when marketing is discontinued: a case study

Because international air service and marketing have both declined since 2006, it is difficult to completely distinguish the impact of one factor over another in the islands' tourism arrivals, especially without surveys in the key markets. It is generally assumed that the more important determining factor is the drop in transportation.

In the U.S., however, a well-known example of what can happen when marketing is cut occurred in the State of Colorado. In 1993, the Colorado Legislature reduced its marketing budget to zero when it decided not to re-authorize the 10-year-old tourism tax levied on restaurants, ski lift tickets, lodging, and attractions. In prior years, this tax had raised approximately \$12 million annually to fund the Colorado Tourism Board and its programs to promote the state.⁷²

⁷⁰ Public Law 17-58 amends P.L. 17-29 to extend the application of the Tourism Incentive Program to key Asian markets, and establishes a customs quarantine and tourism revolving fund. This \$15 fee will be used to recover costs incurred for enforcement of customs and quarantine laws, and to promote travel to the Northern Marianas.

⁷¹ "Bills on \$15 tourism fee, DPW foreign worker hiring are now laws," November 8, 2011.

Saipan Tribune.

⁷² *What happens when you stop marketing? The rise and fall of Colorado Tourism*, keynote address presented at the Nevada Tourism Summit, Dr. Bill Siegel, Longwoods International, March 2009

Within just two years after the cut, Colorado's market share of tourists visiting from other states plunged 30%. Colorado lost more than \$2 billion in annual tourism revenue. Its market share dropped from first place in summer resort states to 17th. The areas that were hurt the most were small towns where tourism played a critical part in local economies. Realizing its mistake, the State of Colorado re-instated its marketing, but it took seven years for the state to re-grow what it had lost.

Best practices: performance-based funding

In most states across the U.S., destination marketing organizations like the MVA are funded by government.⁷³ Many states and territories are experiencing economic hard times and budget crises of their own. How are other locations able to afford marketing?

When there simply haven't been sufficient funds for marketing, many governments have put in place performance-based funding through user fees. These are mechanisms which tie the levels of funding to the visitor expenditures in a particular area or specially-designated zone. Most performance-based funding is paid for by visitors through taxes and user fees paid to hotels (typically 1% to 3% of the hotel tax), car rental companies, casinos and in some cases, restaurants in tourist areas. In the locations where this system has been used, businesses have tended to be more supportive of collecting the taxes and fees when they have had the assurance that the money will be dedicated to marketing or improving public facilities in tourist areas.⁷⁴

California was the first location to develop special Tourism Business Districts (TBDs) in the early 1980's, and now numerous states are now patterning their new laws after this program. California allows for the formal designation of special areas that create funding streams through taxes on visitor spending.⁷⁵ The first to try this program, the City of San Diego was able to raise \$25 million from small incremental taxes and fees paid by the City's tourists through hotels, rental car companies and restaurants. This program was so successful that Lake Tahoe and dozens of other TBDs have been put in place across the state.⁷⁶

In the State of Utah, individual counties receive the tourism tax portion of sales taxes on lodging, restaurants and leased vehicles.⁷⁷ Montana and Nevada have similar programs. The funding that is collected is earmarked for marketing, but with a certain percentage to fund the operations of the organizations responsible for marketing. The percentage is fixed by law and cannot be used for other purposes.

In one state, tourism marketing is about to become completely outsourced: the state of Washington's legislature needed to cut back its budget, so it announced that it would close its tourism office and cease marketing funding by FY2012.⁷⁸ Recognizing that tourism is critical to the economy (it is the fourth largest export industry) -- and not wanting to follow the example of

⁷³ Some 27 state tourism offices have no other budget sources than public funds. *2010-2011 Survey of U.S. State Tourism Office Budgets*, U.S. Travel Association.

⁷⁴ Sources include the U.S. Travel Association, Montana Office of Tourism, *Travel Weekly*, *Honolulu Star Advertiser*, and case studies in individual states.

⁷⁵ *The Parking and Business Improvement Area Law of 1989* and *The Property and Business Improvement District Law of 1994*, State of California.

⁷⁶ "Tourism Business Improvement Districts: A Study of Tourism Business Improvement Districts in California," Strategic Marketing Group and Civitas, November 2010.

⁷⁷ Utah State tax laws

⁷⁸ Washington Tourism Alliance www.watourismalliance.com

Colorado -- businesses quickly formed the Washington Tourism Alliance. This independent, non-profit 501(c)6 professional organization has a board of directors, hired its own staff, and has recently taken full control of the state tourism's website and marketing. Tourism industry businesses are now contributing from \$300 to \$50,000 for annual memberships which are designed to help stabilize the annual budget for marketing. Sponsors will receive various levels of promotional benefits according to what they pay.

Taking ideas from the examples above, Table 29 demonstrates what a new budget system could look like for the MVA. Some advantages and disadvantages of these systems are listed below.

Table 23: Possible Funding Scenario for the MVA

PRESENT MODEL	POSSIBLE MODEL
Government appropriations	Shared public-private financing
\$100 MVA Annual Membership dues (private sector), a small portion of the MVA budget	Dedicated user fees from tourists, paid directly from businesses that collect the fees and taxes to MVA
	Annual business sponsorships at varying levels
<i>Drawbacks</i>	
Budget is subject to political process	Businesses are also experiencing budget challenges and may not be able to pay more dues or for sponsorships
Central government may experience shortfalls	Requires effort from MVA to raise its own budget
<i>Advantages</i>	
Government has an opportunity to program public funds where elected leaders feel they are most needed	Accountability for the use of funds; MVA is essentially paid for performance by the industry through the memberships
	Raises revenues from user fees (tourists)
	Members have sponsorship advantages according to what they pay
	Could better stabilize budgets from year to year

What is “social media” and why should destination marketers use it?

Social media has become the hottest trend in destination marketing. During 2011, more destinations than ever before used social media to stretch limited marketing budgets and interact one-on-one with potential visitors and most especially, repeat visitors.

There's an obvious reason for this: the number of people using social media websites around the world is steadily increasing, as is the amount of time each user spends on social networking sites. Time spent on these activities is growing at over three times the rate of

Internet growth.⁷⁹ This explosive growth makes having a social media strategy essential for getting the attention of potential visitors, giving them reasons to come, building loyalty, and to maintaining overall competitiveness versus other destinations.

Social media is being used by many different types of organizations all throughout the “supply chain” of tourism: destination marketers, hotels, cruise ships and other transportation providers, national parks, tour operators and more.

At the recent World Travel Market (WTM) in November 2011, more than 48,000 senior travel industry professionals, government officials and international media met in London to talk about the latest trends in tourism. The WTM summary report⁸⁰ noted that destinations around the world are placing social media at the forefront of tourism marketing:

“Social media focus is shifting to loyalty programs, bookings, concierge, and customer service, and the aim is to capitalize on its power and friends/followers’ influence to drive bookings and build loyalty. Hotels are rethinking their marketing strategies to target online audiences in a more tailored and intimate way... the benefits were seen as helping enhance brand awareness, opening direct lines of communication, and enabling them to aim exclusive offers to online followers.”

Social media are forms of Internet communication through which site users create content. Continually generating fresh information, users create unique online communities where they share information, thoughts, opinions, videos, pictures, audio files, and more. The world’s most popular social media sites including Facebook, Twitter, YouTube and dozens of international equivalents are interactive and constantly changing as users continue to shape them.

Global reach and cost effectiveness are the major reasons reason why destinations are using social media as a marketing tool. From Costa Rica to Fiji to the Maldives and Seychelle Islands, the list of destinations using social media is growing daily. Small islands and other nations that could not normally afford mainstream advertising are attracting tourists online by offering promotions, promoting their tropical weather and scenery and informing potential visitors about special events, all at very little cost.

Another recent wave of travel marketing includes deeply discounted destination specials sent out via travel distribution websites and other marketers through weekly email bulletins. Just a few of these include Groupon Getaways from Groupon.com, TravelZoo.com, and LivingSocial.com. These firms, while targeted for a U.S. audience, feature travel to locations all over the world.

Social media and travel discount bulletins are a form of “permission marketing,” based on the concept that the person using these forms of media have already agreed to receive them, and therefore, they take greater interest. The more positive exposure destinations get by increasing and linking their web content, the more likely potential tourists are to seek additional information and book vacations.

⁷⁹ “Global Faces and Networked Places: A Nielsen report on Social Networking's New Global Footprint.” blog.nielsen.com.

⁸⁰ “Global Trends Report at the World Travel Market 2011.” wtmlondon.com

Best practice: how Fiji is using social media

FijiMe, the official Fiji Visitors Bureau (FVB) website weaves different forms of social media together online in order to create a web presence that attracts attention. The main website has drop-down menus listing social media websites affiliated directly with the FVB. The site invites visitors to a web forum where tourists can talk to one another and share endorsements and stories about the islands they have visited.

An interactive events calendar makes it easy for tourists to see what special events are happening in Fiji and how they can join in. Ease of access to information increases the likelihood that tourists will attend these events, which can boost revenues of the events in addition to building Fiji's reputation as a desirable destination.

FijiMe's website links to many official social media sites. For example, one link connects to a page filled with videos posted on YouTube. FijiMe doesn't only post links from other YouTube users; the FVB also has its own official YouTube channels (bulafijime and Tourism Fiji). There are also FVB Flickr accounts with photo streams filled with pictures of Fiji.

YouTube users can subscribe to the bulafijime channel in order to get constant updates about Fiji and Fiji tourism, add the channel as a "friend," and leave comments on the main page. On Flickr, users can add FijiMe Bula as a contact and can write testimonials about Fiji.

YouTube and Flickr are both visual, interactive social media sites that Fiji uses to increase island and tourism awareness, whereas Facebook and Twitter operate as advertising and promotions vehicles. The FVB has multiple Facebook pages and Twitter accounts for travelers from different main target markets.

From the Facebook page, potential tourists can sign up to receive the latest news, travel deals, sample itineraries, vacation packages for target markets (such as honeymooners) and even contests to win a trip Fiji. The current "Romance" trip is in partnership with ABC's *The Bachelorette* (the most recent season finale was filmed on Fiji). Similarly, the FVB uses its multiple Twitter accounts to engage site visitors.

Recommendations regarding social media for Asian markets

Because the Northern Marianas key markets – Japan, Korea, China and Russia -- do not widely utilize American social media sites such as Facebook, it would require that the MVA utilize social media websites most used in and unique to these countries in order to reach the majority of its tourist targets. However, three out of four of these primary target markets have their own versions of Facebook, therefore a Facebook strategy could be adjusted and applied to the similar international (Renren in China, Cyworld in Korea, and VKontakte in Russia). The MVA should build a Facebook strategy in addition to delving into market-specific social networking sites because Facebook is rising in popularity in Russia and can be used to reach U.S. citizens and those residing in nearby Guam.

The Japanese market will require more specialized social media targeting. As of the end of 2011, many Japanese use Facebook, but Japan does not yet have a "Facebook equivalent." One of Japan's most popular social media sites is "Mixi," which places an emphasis on gaming and requires fees for premium content. Additionally, those in Japan spend more time on their social networking sites on their mobile phones than on their computers, which must also be taken into account when developing a social media strategy specific to Japan.

Similar to the Facebook approach, a Twitter (micro-blogging) approach could be applied to sites in CNMI's key markets (me2day in addition to Twitter in Korea and Sino Weibo in

China are just a few of these). It is also worth noting that Twitter recently launched sites in Korea and Russia; therefore Twitter could be useful in the Korean, Russian, and U.S. markets.

Another American website that can be useful is YouTube. In addition to its popularity among Americans, YouTube is also prevalent in China and Russia. Photo sharing websites (such as Flickr) and blogging websites (such as Xanga, LiveJournal and BlogSpot) are also universally used. Therefore, incorporating photo sharing and blog strategies are also essential in rounding out a social media plan for the Northern Marianas as a tourist destination.

Destination branding

Another trend and best practices in destination marketing around the world is to develop a unique brand identity. Successful branding is an important element of marketing, which has an impact on how well key markets absorb, understand and adopt the message based on their own concepts of value and what is attractive.

Development of a distinct brand has proven to be especially challenging for the Northern Marianas in large part because of the fact that this is a multi-island destination. A key question has been whether to call the islands by their individual names, by the acronym “Northern Mariana Islands,” “CNMI” or some other abbreviation. Another question has been whether or not to use “USA” in the branding to let potential visitors know that the islands are a part of America, and whether or not to use a marketing mascot, such as “Saipanda,” which was developed by a Japanese advertising agency and designed to appeal to Japanese tastes.

Successful branding isn’t simply a matter of designing a new logo and possibly a slogan to go underneath it. A destination brand is the totality of perceptions, thoughts, and feelings that customers hold about a place. The brand for the Northern Marianas should not strive to be everything to everybody, but should provide some emotional benefit that goes to the core of what the destination offers.

The brand is an organizing principle that involves coordinated messages and experiences associated with the place to ensure that they are distinctive, compelling, memorable, and as rewarding as possible. The brand’s recognition and value is built at every possible point of contact with customers, before, during and after the visit.

In the process of developing a new logo for the Northern Marianas, the project team reviewed such issues as:

- Stakeholder perceptions of the motivations of tourists
- What tourists say attracted them to come to the islands in exit surveys
- Branding messages of competing destinations
- Core experiences that one can / must enjoy in the islands
- Destination factors that distinguish the Northern Marianas from its competitors (or ones that cannot be easily matched)
- Messages that have the potential to convey strong emotional benefits
- A color pallet and graphic style that reflect key elements of the islands
- Images and messages that take into account and harmonize with the needs and objectives of travel partners

As part of this master plan project, the project team worked with MVA officers to develop a new regional positioning statement and brand promise that all three islands could use

to guide marketing and tourism development resources. This included a strategy proposal, graphic design for a new logo, and concept of key branding elements. As of this report, the MVA Board of Directors had not finalized the decision as to the proper time to rebrand the destination based on budget limitations.

Key points and recommendations

- Many organizations from both the public and private sectors have an impact on tourism. With their collective effort, the industry succeeds or fails.
- The MVA is the lead organization responsible for marketing of the destination. The MVA also gives a voice to the tourism industry, its members and give input to elected policymakers that impact the business climate for tourism and the daily operations of public facilities. Tourism stakeholders must rely on the MVA to play a strong communications and coordination role.
- The MVA has never been more challenged in terms of funding limitations. The current system of budgeting does not support the marketing that the destination needs to remain competitive.
- A new, more sustainable funding mechanism must be adopted to provide greater stability of marketing funding for MVA. It is recommended that new approaches based on a public-private model be studied and eventually adopted. Best practices from other locations have been given, and will require further projections and discussion by the MVA Board of Directors.
- A low-cost form of communicating with global reach, social media, mobile applications (“apps”) and other innovative forms of Internet marketing are being used by tourist destinations around the world. Expanding into these new mediums should be a major initiative for the MVA within the first year of this master plan, with the understanding that a fully effective program in multiple languages will take years to develop.

V. A MULTI-ISLAND DESTINATION

One of the attractive aspects of the Northern Marianas as a tourist vacation spot is the fact that it is a multi-island destination. The islands that make up the archipelago each have distinct features and “personalities” that may be clearly obvious to residents, but are not necessarily distinguishable by tourists. The challenge of how to capture the interest of visitors in order to encourage them to stay longer and travel inter-island has challenged government leaders, the MVA, and tourism businesses for many years.

Encouraging island-hopping among tourists is not simply a matter of having the right attractions. Other significant factors including the length of time and budget a visitor has for leisure travel; the ease, cost, schedules and methods of inter-island transportation; as well as the perceived value of the experience visitors stand to gain. If a tourist perceives that there is no difference between Saipan and Guam, for example, why take the time and trouble to wait for a connecting flight at the Guam airport? If the schedule of flights to Rota from Saipan means a visitor has to stay extra days, do they really have the time to go? Are all visitors comfortable boarding the tiny planes that today are the only means of traveling to Tinian? Would groups be willing to separate groups if they could not all fit on a plane together? Will traveling families find enough to do on each island, to include daytime as well as night-time activities? Is there some other compelling reason to visit the less populated islands of Tinian and Rota, something they could not find on Saipan? The project team sought to find answers to these questions.

Challenge of measuring inter-island travel

One challenge for the MVA and island leaders is how to measure trends in visitation to each island. In recent years, there has been no reliable method to determine the total number of visitors that are going to Rota because statistics on inter-island travel are not needed for immigration purposes. Visitors to Rota can only be counted if they come directly from Guam or other foreign point; if they come via Saipan, there is no distinction between resident versus tourist travel. According to the CNMI Department of Labor and Immigration in Rota, in FY 2011, the island received 4,920 visitors via Guam. This represented a drop of 33% from FY 2010, when 7,348 visitors came through Guam-Rota flights.

Visitors to Tinian numbered 29,152 in FY 2011. This was a drop of 18% as compared to FY 2010 when 35,649 visited the island on Saipan-Tinian flights. The 2011 Tourist Exit Survey gave some indication of the number of overnight visitors on each island (Table 32):

Table 24: Incidence of Overnight Stays by Island from 2011 Tourist Exit Survey

	Saipan	Tinian	Rota
Japanese	98.7%	1.3%	1.2%
Korean	99.3%	3.5%	0%
Chinese	99.8%	94.8%	0%
Russian	100.0%	0%	0%

These percentages represented respondents to the survey that reported that they had stayed overnight. They do not present a complete picture of the volume of daily visitors to each

island. Although Russians did not report staying overnight on Tinian, 15.4% of the survey respondents said they visited Tinian for a day tour, and 7.7% visited the casino. Russians also visited Rota, at 14.3% of survey respondents. Korean tourists did not report staying overnight on either Tinian or Rota, but 5.9% visited Tinian and 1.9% visited Rota on a day tour. A very small percentage of Korean tourists also visited Guam during the same trip, with 1.8% stating that they had stayed for 3.5 nights. This flow of inter-island traffic, while limited in volume, indicates that there is a market for such excursions by some visitors, and represents a foundation of “spreading the benefits” of tourism, that future policies must support.

The case for multi-island branding

Another issue for the MVA has been the question of how to communicate a brand identity in advertising and promotions that provides appeal as a multi-island destination. Will tourists find better recognition in the name “Saipan” versus the “Northern Mariana Islands?” Should Saipan, Tinian and Rota each have separate budgets to promote their unique identities and attractions? If so, how should this be fairly allocated? In the absence of accurate visitor statistics, it would be difficult to allocate budgets by market share, and therefore, these questions are a policy matter for CNMI government leaders. If an allocation were to be adopted, basing it on active hotel rooms or weekly airlift (in seats) might be an objective method.

In a separate but related scope of work for this 2012-2016 tourism master planning project, an experienced branding team reached the conclusion that the islands *should* take better advantage of the fact that this is a multi-island group located near the famous Marianas Trench. The team recommended using the name, “The Marianas” to describe the destination. As of this report, a final decision is under consideration by the MVA. (See *Destination Branding* in the preceding section of this chapter.)

Unique islands with their own challenges and opportunities

The three main islands in the Northern Marianas offer unique experiences, and because their transportation, levels of development, and attractions vary so significantly, they each have special issues for consideration and improvement. In general they all share in the same policy framework, but have different resources for tourism. Therefore, the following pages provide insights and recommendations for tourism product improvement and development in Saipan, Tinian and Rota.

Although the Northern Islands are a part of the CNMI and offer tremendous opportunity, they lack established facilities, accommodations and transportation. Therefore, opportunities for the Northern Islands are instead described in the Product Development section in Chapter 6.

SAIPAN

A desirable destination with a full range of attractions

The capital of the Northern Mariana Islands, Saipan is the home of the largest international airport, more than a dozen resort hotels, and a full range of visitor attractions and amenities. Saipan has many “signature” attractions, including Managaha Island and a large Western-facing lagoon that is ideal for recreation. It has an abundance of scenic locations including Bird Island, Mt. Tapachau, Suicide and Banzai cliffs, a number of mysterious caves, just to name a few. A great diversity of scuba diving sites include walls, wrecks, reefs and one of the world’s most exotic cave dives: the famous Saipan Grotto.

The island also has many fine man-made attractions, including five golf courses overlooking the sea, the DFS Galleria, locally-owned Joeten shopping centers and other retailer stores, restaurants, spas and night clubs – all within a short driving distance. Historic attractions related to World War II are also in abundance on Saipan, the island is home to many memorial sites and two museums – one provided by the U.S. Government at American Memorial Park and the islands’ own Commonwealth Museum of History and Culture. The Sugar King Park in Gualo Rai, a site with special significance for the Japanese has also seen modest enhancement over the years.

With all of these attractions and Saipan’s close proximity to major Asian cities, one could say that the island is an ideal visitor destination. For more than 20 years, in fact the economy boomed with the growth of tourism that provided a steady stream of tax dollars.

In the late 1990’s, however, a series of multiple crises put the entire Northern Marianas tourism industry on unsteady ground. From the bursting of the Japanese bubble economy, to the ups and downs of the Korean economy, the loss of JAL air service, other natural disasters in the region, SARS, avian flu and the global economic crisis of 2008, tourism has experienced a roller coaster of interruptions. Other competing destinations have dealt with many of the same issues, but what hurt the islands most is unstable and declining air service. The loss of the island’s only other industry in 2009 has also had a major impact on tourism.

Impact of the loss of garment manufacturing on tourism

What did the loss of Saipan’s garment industry mean to tourism? How could factories filled with foreign workers have any positive effect on a nature-based tourism destination? The answer to these questions relate to the financial cushion that garment manufacturing provided. With the garment industry, the Northern Marianas had economic self-sufficiency and a government budget that could provide for low-cost community services. The access to virtually all publicly-owned tourist sites was offered free of charge because the government could afford to pay for their maintenance.

Without a doubt, the garment industry also had its negative side. There were substantial environmental and social impacts, as well as negative publicity that plagued the industry. However, on the positive side, the garment industry provided exports that greatly subsidized shipping and low taxation that all businesses and residents benefitted from. The airlines could count on the fact that planes which brought tourists into the islands often left with their bellies full of valuable garment exports. In the best years of the industry leading up to the lifting of

certain international trade quotas with the U.S. in 2005, cargo revenue helped stabilize air service and helped to make up for the lower prices paid for inexpensive package tours.

The garment industry's revenue also helped in other ways, such as in supplying customers for the Commonwealth Utilities Corporation, local land owners, wholesale and logistics companies, and many small retail and service businesses throughout Saipan. Once the 34 factories closed and the 18,000-some employees left the island by early 2009, many smaller businesses also began to close their doors. Over time, the CNMI government lost many tens of millions of dollars in direct and indirect revenues.⁸¹

Of all the islands in the Northern Marianas, Saipan was the hardest hit by the loss of the garment industry and the economic depression that rapidly descended upon the islands. At the same time, tourism dropped due to the loss of air service. Soon there was little money for marketing the destination, and tourism's downward spiral escalated.

Today Saipan still has a wide range of attractive tourist sites and hotels, but the money for the MVA to market them is only a fraction of what it once was. Faced with an economic crisis, the CNMI government has naturally prioritized the funding of essential public services over marketing. Without marketing and promotion, however, the islands have lost visibility in the key markets.

The challenge of abandoned buildings

Physically, the appearance of Saipan has suffered a great deal from the loss of business. A record 22.7% drop in population was registered by the U.S. Census from 62,393 in 2000 to 48,220 in 2010. Without an adequate customer base of residents and tourists, business failures throughout the islands have resulted in closure and the abandonment of many buildings. In Saipan, this is most evident in the central tourist district of Garapan and areas along the Beach Road to the south that are heavily traveled by tourists.

In the 2011 Exit Survey, many Japanese visitors wrote in comments about the lack of new attractions, the loss of their favorite establishments, the abandoned buildings, and the darkness of the streets at night. Garapan, had 40% to 50% building vacancies as of 2011. Although private sector organizations like the Paseo de Marianas Promoters, the Japan-Saipan Travel Association and others have tried to fill the void and stage periodic cleanups, the area needs regular cleaning and landscape maintenance that is simply too great for volunteer efforts.

There were nearly 100 foreign-owned small businesses operating in central Garapan as of October 2011. Will these restaurants, massage parlors, night clubs, retailers and dive shops meet the minimum requirements for U.S. foreign investor permits? Will the U.S. government continue to provide visas for their foreign employees in such positions as night club hostesses, masseuses, restaurant workers and retail clerks? After the transition to federal immigration ends in 2014, the future is uncertain. It goes without saying that it would be difficult for most small businesses in Garapan to re-invest in long-term improvements. What can be done to stop Garapan and other villages in Southern Saipan from becoming "ghost towns?"

⁸¹ A 2002 industry survey by Burger & Comer documented more than \$70 million in direct and indirect revenues from Saipan's garment industry. This was further explained in a presentation for CNMI leaders entitled, "What's at Stake when Saipan's Garment Industry Leaves?"

Loss of attractions

Since 2005, numerous operators of tourist facilities and attractions have suffered from a lack of Japanese tourists, especially amid rising costs of doing business. The once-luxurious Fiesta San Roque Shopping Center, the Plumeria Resort, and Palms Resort have closed. Several resorts that were planning renovations or expansions have put their plans on hold. The Saipan Botanical Garden, a long-time island attraction is now overgrown, its gates closed. Two bus companies which previously catered to Japanese tourists have folded. The Saipan Zoo, the largest zoo in Micronesia is popular with tourists, but struggles with rising costs.

Several planned developments, including resort hotels, cultural centers, and a gondola ride up Mt. Tapachau never found funding, despite the promising tourism potential they would bring. As of the time of this report, casino gambling was being considered but had not yet been authorized by law.

Saipan has had other difficulties that are a sign of the times. Rising crimes against tourists in Marpi, Garapan and other unattended tourist areas has resulted in continuing media attention. Restroom facilities and maintenance at Mt. Tapachau have similarly drawn criticism. But how can the government afford to patrol and maintain so many sites?

Special challenges for tourism on Saipan

Despite all of these difficulties, the island of Saipan has maintained most of its natural charm and continues to receive high marks in visitor satisfaction. Years of effort in diversifying key markets have helped many of the hotels maintain their investments and keep smaller privately-owned tour operations alive. Virtually all business stakeholders interviewed during the course of the planning process expressed concerns about earnings, but most said they remained committed to their businesses.

Managaha Island continues to be a leading attraction for tourists of all nationalities, a successful public-private partnership concession that guarantees revenue for the government with virtually all costs for maintenance and improvements born by the Japanese company that operates it.

New restaurants have continued to open from time-to-time, such as the Restaurant 360, which offers a commanding view of Saipan. The popular Thursday night Garapan Street Market has grown to thousands of people each week. In fact, many tourists have said they like to see more of this type of activity, as well as others that provide opportunities to try local food and meet local residents.

As a whole, however, Saipan still lacks the night life and shopping options that tourists are looking for. The island has fallen behind in the development of new attractions – an aspect of tourism that is so important to returning visitors. To summarize, the challenges for Saipan are numerous and complex:

- 1) How can the government maintain publicly-owned tourist sites without an adequate budget?
- 2) What can be done to stop rising crime in tourist areas?
- 3) How can privately-owned businesses be encouraged to re-invest in necessary improvements when business is down?
- 4) How can the CNMI government address the rapid increase in vacancies and urban blight in Saipan's main tourist areas?

- 5) What can be done with underutilized government land and other closed facilities, such as La Fiesta San Roque, the Botanical Garden and other sites that could be marketed to international investors and re-opened for business?

Key points and recommendations

Given the significant challenges, Saipan's tourism economy will take years to recover. Improvements in tourism will require new thinking, government leadership, a disciplined approach to change, and a more nurturing business climate. What can the CNMI government do to stabilize the business climate and make it more conducive to tourism investments?

The issues must be addressed from a holistic approach. Some solutions are addressed below and in greater depth in the tourism master plan's implementation plan for 2012-2016.

- The injection of new capital, fresh ideas and innovation are needed to develop new attractions. The CNMI government should periodically revisit its business incentives in order to attract quality investors. A good starting point would be to create a list of underutilized or closed assets that can be re-packaged and marketed internationally. Projects that show great potential to appeal to visitors should be prioritized for economic development assistance.
- The CNMI's government's Qualifying Tax Certificate program which offers a tax abatement to investors in tourism businesses should be revisited, refined and promoted as a tool to encourage new investment.
- Small business programs that offer technical assistance, micro loans and other forms of support should be made a priority to help tourism businesses. The Northern Marianas should take full advantage of federal assistance and grants to offer these programs. Best practices and case studies from other American cities and states are readily available through the Internet and federal agencies.
- To address rising crime and the lack of funding for maintenance of Saipan's most important tourist sites, the CNMI government should consider new ways to manage tourist sites. For example, the Marpi area has a wealth of sites in one relatively compact area. This could justify the organization of a state-owned park. It is envisioned that such a park would have a formal visitor gateway that would increase security, improve the prestige of the area and the appearance that it is a treasured, cared-for park. This could be operated similarly to Managaha as a concession with an entrance fee.
- The decline in maintenance at Paseo de Marianas must be addressed with an eye toward creating a sustainable funding source. Since much of the trash problem is caused by employees of Garapan businesses and apartment residents in the area, it would stand to reason that they should help pay for the cost. A special tourism business district should be created which would enable the collection of a maintenance fee from the businesses in Central Garapan, as well as the area's apartment tenants.
- To address the problem of abandoned buildings, the CNMI government must make use of its zoning authorities to require at least some upkeep by owners. Tougher measures might even include the eventual seizure and auctioning of "eyesore" buildings that could be declared as condemned by the government.
- The stimulation of re-investment in Garapan and other areas with high vacancies will likely require a comprehensive downtown revitalization program. Best practices and

incentive ideas can be found in the U.S. Main Street Program.⁸² Before these areas become “ghost towns,” the CNMI government should act quickly to address the problem.

- Public-private partnerships are a financing model that has been used extensively in other parts of the world to fund improvements, develop and operate tourist amenities, attractions, transportation and other infrastructure. If used properly, PPPs can be an effective tool to create new attractions. (*See Chapter 6*)

⁸² See the National Trust for Historic Preservation at www.preservationnation.org/main-street

TINIAN

An island of untapped potential

Three short miles across a channel from Saipan, the island of Tinian is approximately 39 square miles of limestone forests and flame tree groves, quiet residential neighborhoods, historical sites and other scenic landscapes. It also has some of the best beaches in the islands, including secluded white sand pocket beaches, the Taga Beach, Tachonga Beach, Kammer Beach and Unai Chulu, a beach that was used as an invasion beach by American Marines in July of 1944. Most of these beaches are located on the western shores of the island, providing excellent sunset views.

What Tinian is best known for internationally, however, is its strategic location that put the U.S. in flight range of Japan during World War II. Still remaining nearly 70 years after the war are the Tinian North Field runways and two atomic bomb pits, where the American *Enola Gay* and *Box Car* flying fortresses loaded their historic cargo and then took flight to bomb Hiroshima and Nagasaki, Japan in 1945.

Tinian's airstrip was built for the American B29 Super Fortress. In 1945, the North Field and its four runways made up the busiest and biggest airfield in the world. Today, they are surrounded by jungle, a quiet reminder of the tremendous sacrifices both American and Japan citizens made before creating peace between the two countries. In and amongst the now-silent runways, there are a number of other historic buildings from the war-time era. Island visitors can also see a monument to the 107th U.S. Naval Construction Seabees.

In other parts of Tinian, there are village ruins from the Japanese occupation era, a defense trail, an old Communications Center, and a Shinto shrine. Some additional shrines remain hidden in the jungle, waiting to be uncovered. A dramatic memorial sits at Suicide Cliff. In this location on August 1, 1944, many Japanese and Okinawan citizens committed suicide rather than surrender to the Americans during the battle for Tinian.

Casinos and other tourist services

Although visitors come to see these historic sites, many of Tinian's tourists today visit for the sun and sand, numerous dive spots, and the largest of the island's tourist attractions, the Tinian Dynasty Hotel & Casino. Opened in 1998, the resort features 440 spacious hotel rooms, banquet and restaurant facilities, swimming pools, a children's area and a full-service casino.

The casino industry was legalized in the mid-1990's by the people of Tinian in a popular initiative designed to receive as many as five casinos. While numerous other companies have announced plans and even broken ground for development over the years, the only casino that has opened and remained on the island has been the Tinian Dynasty. A second casino resort, slated to be built by Bridge Development Group went so far as to build structures for staff housing, but shelved their plans after federalization of immigration by the U.S. government.

With Tinian's small population of less than 3,000 residents, the hundreds of workers needed for construction and eventual operation of a major resort would have had to be imported. With federalization and the necessity of subsidizing transportation for the workers and shipments, the investors felt the project had become unfeasible – that is at least until federal immigration policies are made clearer and the Tinian Airport can handle direct international air service.

Other than the one operating casino, there is one locally-run hotel, the Fleming Hotel, a few restaurants and a handful of small karaoke bars. Tinian at one time had another small hotel, the Lorilyn Hotel, but it closed for business in recent years. At Tachonga Beach, visitors can enjoy jet skiing, snorkeling, picnics and other water sports offered by local and Japanese-owned operators. For the more sports-minded visitor, there is scuba diving, deep sea fishing, some bicycling and hiking on the island. Two major festivals – the annual “Hot Pepper Festival” in February and “San Jose Fiesta” in April are open to visitors and provide an opportunity for tourists to try local food, hear island music, and mingle with local residents.

Dependence on one flagship attraction with one key tourist market

For more than two decades, casino gaming at the Tinian Dynasty has been the most significant driver of tourism that has boosted the island’s economy. Without the Dynasty’s presence, the island would have very few tourists and very little revenue to support its economy. This dependence upon one flagship attraction is both a blessing, and at the same time, puts the island at risk if the resort’s business model should ever fail.

Because of the Tinian Dynasty’s ownership ties to China and the marketing investment the company has made, the access for Chinese tourists to the Northern Marianas through the current visa parole system provided by Homeland Security is therefore quite critical. If this privilege were to be removed and Chinese citizens had to apply for regular U.S. visas through a U.S. embassy, the China market for the Northern Marianas would greatly decline, if not cease completely for Tinian. Alternatively, if the system were to be made permanent through a visa waiver or visa-on-arrival program, Tinian, its investors, and the entire Northern Marianas could count on greater stability of the China market for the long-term.

Assuming there are no problems with the China market which would result in a loss of the parole system, arrivals of Chinese tourists are expected to increase dramatically in 2012 due to additional weekly air capacity from Shanghai and Beijing. Because nearly 95% of all Chinese visitors to the islands visit Tinian, this should boost arrivals to the island very significantly. For example, if the Northern Marianas receives 30,000 to 40,000 more tourists from China in 2012, Tinian’s tourism industry could nearly double. This is evidence that this “2-island tour,” even with a small propeller aircraft, is popular and has growth potential.

The Tinian Dynasty also receives a small number of local tourists and its banquet facilities are a venue for various regional conferences and meetings throughout the year. The meeting market is dependent upon ease of transportation for visiting groups, competitive pricing, and the budgets of companies and governments in the region for travel. However, Tinian cannot compete for most international meetings because of the lack of international flights into its airport.

According to the 2011 Exit Survey, only a handful of Koreans and very few Russian tourists visited Tinian. Some come to visit the casino on evening flights. Historical tours have also provided far fewer numbers of visitors on day trips from Saipan. Experienced Japanese, Korean and American scuba divers have enjoyed Tinian’s quiet and pristine waters, which are home to many tropical fish, sharks and dolphins. Today because the overall numbers of visitors have so greatly declined Marianas-wide, Tinian has far fewer day-trip visitors than it had before. The numbers will continue to be limited until air service from Japan improves and overseas marketing is increased.

Challenges of essential inter-island transportation

At one time, Tinian had two modes of inter-island transportation to bring tourists via Saipan: frequent, inter-island air service via small planes, and a ferry operated by the Tinian Dynasty. Because Tinian did not have an adequate number of tourists, the casino resort has operated from the beginning on a business model that includes subsidized transportation at a cost of millions of dollars a year.

The Dynasty's ferry service initially had an adequate daily capacity to carry hundreds of passengers in between Saipan and Tinian. The ferry service initially began with two ships, then dropped to one. After operating for more than a decade, the service ceased indefinitely in the year 2010 due to rising costs of fuel and maintenance.

The Tinian Dynasty is owned by Chinese investors and led the opening of the China tourism market as a strategy to market the resort's business. Since its opening, the Dynasty has been a lead sponsor of chartered air charter service twice weekly from Guangzhou, China to Saipan. A second charter operates in partnership with Century Tours on a twice weekly basis serving the Shanghai-Saipan route. To fill the planes and market in China, the resort put in place an extensive sales team in key cities in China to sell vacation packages to PRC citizens. After a 4.5-hour flight to Saipan, Chinese tourists typically stay one night on the island and then transfer to Tinian via small planes, or when it was still operating, through the ferry.

Since the closure of the ferry, the Dynasty has fulfilled its transportation needs by sponsoring STAR Marianas, a Tinian-based air carrier that flies the casino's customers and other passengers to and from Saipan on charters. The company basically provides the six-minute inter-island flights whenever they are needed, sometimes as frequently as 100 flights on a 24-hour basis. The firm also offers chartered flight-seeing and flight school. With good weather the sightseeing from the small prop planes is scenic and even thrilling for some who have never flown in propeller aircraft.

Scheduled commercial air service for visitors and island residents is provided by Freedom Air, a locally-owned Guam-based carrier which has served Saipan, Tinian, Rota and Guam for many years. Both airlines utilize small planes, which typically carry six passengers or less. If large groups are traveling inter-island, they must split up for their air travel as the prop planes shuttle back and forth, like air taxis. Any large cargo between the islands must travel by sea.

The island of Tinian currently has adequate air transportation from Saipan provided by two locally-owned carriers to meet current needs. If there were direct international service, this would allow the island to bring more visitors to the island with added convenience to the visitors. However, the addition of such service would likely require costly upgrades in certain equipment and capabilities to receive international tourists at Tinian airport. The airport does not presently have international passenger screening by TSA staff. These impediments could be addressed if an additional large tourism development were to be built on Tinian.

The loss of the ferry has been a significant deterrent to visitors to Tinian. Some would-be travelers are afraid of the small planes, which may also be a deterrent to passengers with certain physical disabilities. There is also difficulty in transferring large groups and limits on what goods and equipment can be brought to the island. For example, Tinian at one time had a popular annual cycling race that attracted off-island competitors. The "Tour de Tinian" was suspended because visitors could not get their bicycles to the island on a timely basis.

Lack of attractions, but great potential for “new” products

A frequently-cited concern for Tinian’s tourism industry is the lack of attractions, nightlife and children’s activities in particular. These limitations impact the average length of stay on the island, the number of repeat visitors and the overall value that tourists provide in spreading economic benefit through the community. In the absence of more locally-owned attractions, hotels, restaurants, stores and optional tours, there are few opportunities other than the casino for tourists to spend their money.

In discussions with Mayor of Tinian as well as a resident historian, there is a desire on the part of the Municipality to open up more historic sites to visitors. There are a number of Japanese shrines that have been swallowed by the jungle and lack signage and facilities. The same is true for some World War II sites. If these were to be opened, and interpretive materials or experienced guides were to be made available, this could potentially increase the length and interest in historical tours.

Other untapped potential includes the House of Taga, which is an ancient Chamorro latte stone site near the Tinian seaport. The site has unique significance for the Chamorro culture, with local legends and interesting stories of the only intact standing latte stone’s endurance through different eras in Tinian’s history. Unfortunately, there is no information available at the site for tourists to appreciate what they are seeing; a lone sign communicates nothing except its name.

Unlike Saipan and Rota, Tinian does not have a golf course, which is something many casino-goers typically expect. In fact, it has been reported that sometimes visitors bring their golf clubs, only to find that they must fly to Saipan for a round of golf. The island has publicly-owned flat lands and rolling hills that could provide for a golf course overlooking the ocean. All the island needs is the right investor.

Another untapped asset that is part of the Tinian Municipality is the neighboring uninhabited Aguiguan Island, also known as “Goat” island. At just 2.74 square miles, the island is a short boat ride from Tinian and a favorite place for deep sea fishing. The island has a number of historic remnants from the time of the Japanese Administration, as well as fruit trees, goats and native jungle. The Municipality of Tinian does not have the funds to develop the island. However, this site could be opened to tourists for day trips, camping or even the establishment of an ecolodge if the Municipality were to make it available for private investment. (*See a vision statement for this project in Chapter 6*)

Future U.S. military uses for Tinian

In the plans for the move of U.S. Marines from Okinawa to Guam, there are unspecified plans for Tinian to be the site of a “soft base” training site for the American military. The military in fact has a long-term lease on a significant portion of the northern section of the island, which includes the former North Field airstrips. Hoping for a future boost to the economy, the CNMI government and people of Tinian have made well known their support and welcome for the use of Tinian by the military for training and other uses. If this massive buildup should come to fruition in the coming years, the island could stand to gain not only the military’s use of the site for training, but also patronage of local businesses for certain services, supplies and R&R use for military-related visitors.

Key points & recommendations

- The island of Tinian has a wealth of historical features which are not being fully utilized as tourist attractions. Among these are the WWII sites in the North Field which have little signage and little or no interpretive materials to help tourists learn from and fully appreciate what they are seeing.
- Tinian needs a visitor center that can serve to educate visitors and local residents alike about Tinian's role in ending the war and all the people who had many interesting and heroic experiences on the island. A proposed visitor center might best be located near a village, where it could also offer a small conference facility to host heritage and historian groups staging events and training courses, in addition to the veteran, military and cultural exchange groups that already visit the island. (*A vision for this potential project can be found in Chapter 6 – Tourism Product Development regarding the 70th Anniversary of World War II.*)
- The House of Taga is a special ancient site of Chamorro culture that should be preserved, enhanced and interpreted to a much greater degree. It is recommended that a significant initiative should be launched to seek UNESCO World Heritage or other international recognition, promotion and care for this site. (*See Chapter 6*)
- Tinian should seek to identify a site for a golf course that can be developed through targeted investor incentives provided by the government.
- The Island of Aguiguan offers untapped potential for ecotourism that can bring a new and unique signature attraction for the Tinian. The Municipal government should seek proposals from private investors to develop tours and visitor facilities on the island in some form of public-private partnership, such as a concession. (*See Chapter 6*)
- The government of the CNMI should work to re-establish a ferry system between the islands of Saipan, Tinian, Rota and Guam as an essential service to island residents, visitors and for potential military use in the future. This effort should be coordinated with the U.S. Department of Defense as a strategic partner.
- The MVA, together with the Municipality of Tinian and island businesses should establish partnerships to promote Tinian and its unique attractions more effectively in Saipan, as well as internationally. One of the most cost-effective means of promotion should be greater use of the Internet and social media in the near term. As new attractions are opened on the island, publicity efforts through press releases and free media publicity should be utilized to the greatest possible degree.
- Promotional efforts should include special events and sports competitions, which will give people reasons to come. Logistics are limited without an inter-island ferry.
- The CNMI government and MVA should develop special events to commemorate the 70th anniversary of the World War II invasion of Saipan and Tinian in 2014, giving special recognition of the events that occurred on Tinian as an opportunity to encourage visitors from around the world. These should be promoted through the Internet and social media, as well as targeted publicity. (*see Chapter 6*)

ROTA

Nature's treasure island

It has been called “The Peaceful Island,” and “Nature’s Treasure Island,” and without a doubt, Rota lives up to its reputation as a quiet, nature-based tourism destination. From crystal clear waters and clean white sand, to a large bird sanctuary and pristine jungles that were spared from the ravages of war, Rota is a place where one can enjoy a quiet tropical getaway.

The experience of visiting Rota is distinctly different from the ambiance of the other Mariana islands. In addition to its natural charms, Rota has many historic attractions that one can explore on a leisurely basis with or without a guide. The island is home to a mysterious As Nieves Latte Stone Quarry and several other ancient latte village sites, caves with ancient pictographs, and a number of Japanese era and World War II historical sites. High above Songsong Village, there is even a historic building from the Spanish times, the Santa Lourdes shrine. A number of the sites lie on private property and are open for tourist visitation by the families that own them.

Rota is an underwater wonderland for scuba divers, with beautiful coral gardens, reefs, walls, caves and shipwrecks. The clear water quality is among the best in the world. A small number of local dive shops offer tours. Added to the underwater mystique of Rota is the fact that a Manila Galleon, the *Santa Margarita* sank off of the island in the 1600’s.⁸³ The shipwreck site was located in 1995, bringing international publicity, but artifacts have yet to be made available for public display.

A number of seasonal festivals -- such as the annual “Fiesta de Borja Rota Fiesta” and competitive sporting events like the long-standing “Rota Blue Triathlon” -- make Rota a fun and welcome place to join in local activities. With all of these attractions, one would assume that Rota is an ideal visitor destination. Unfortunately however, the island has been devastated by persistent transportation problems which have prevented the island from receiving a profitable level of visitors.

Erosion in business

The lack of adequate transportation has resulted in a severe economic depression, which in turn has prompted a 23% drop in Rota’s population -- from 3,283 residents in the year 2000 to just 2,527 residents as of 2010.⁸⁴ Many local families have moved to Guam or the U.S. mainland to seek job opportunities they could not find in their island home.

Prior to 2005 with the loss of JAL air service in the Northern Marianas, Rota was able to support 11 hotels with a total of 243 rooms. Many of the small hotels and tour companies were locally owned. Since the early part of the decade, however, the island has experienced a 33% reduction in the number of hotel rooms. Currently seven hotels struggle to keep 162 rooms operating.⁸⁵ A small zoo with native animals and a number of other locally-owned attractions

⁸³ The *Santa Margarita* site was located by a Washington-based firm, IOTA Partners in 1995. Salvage operations have continued for a few months each year during calm water on the site off of Teteto Beach.

⁸⁴ U.S. Census of Population and Housing for the years 2000 and 2010.

⁸⁵ One hotel recently reported average occupancy of 10% or less for the year 2011. On some days, there are no customers.

such as fruit farm tours have either closed or remain open with only the most essential elements in operation.

Rota at one time had many shining examples of local entrepreneurship, but today the drop in business has affected scores of locally-owned retailers, restaurants and other businesses. In the downtown area of Songsong Village, there are many empty buildings and many of the signs of “blight” that one sees on Saipan. Even in the heart of Songsong Village, there is little for tourists to do at night, except remain in their hotels or visit the few restaurants that have struggled to remain open. The second largest hotel on the island, the 50-room Paupau Hotel has a commanding view of the Eastern shoreline, but now sits vacant and overgrown with jungle.

In November 2007, the people of Rota voted to legalize casino gaming in the hopes of raising awareness and creating a new tourist attraction. However, this has not solved the problem as increased airline schedules did not follow. The islands’ lone casino – the Treasure Island Casino at the Rota Hotel – opened briefly and then closed in March 2011 following the cancellation of charter flights after the earthquake and tsunami in Japan. A second casino planned for the 55-room Rota Resort & Country Club was granted a license on July 15, 2011, but has yet to open. The hotel cited the lack of air service as a reason for the delay. At several times during the year 2011, it was reported in the local media that both of these businesses – Rota’s largest hotels – were facing considerable hardships.⁸⁶

Arrival statistics for Rota are sketchy, since there are no statistics for inter-island travel from Saipan. Visitors can only be counted if they come directly from Guam or other foreign point; if they come via Saipan, there is no distinction between resident versus tourist travel. In FY 2011, Rota received 4,920 visitors via Guam. This represented a drop of 33% from FY 2010, when 7,348 visitors came through Guam-Rota flights.⁸⁷ In 2011, the inter-island arrivals from Guam dropped further to 4,510.

Given the number of rooms that were open and available to tourists, the arrival statistics would likely indicate average minimum hotel occupancy of only 12%. Especially given the high cost of utilities, shipping and all commodities, this is not a rate that could support payrolls and provide a return for investors. Historically, Rota has appealed to nature lovers, scuba divers and has had strong support from the Japanese market. Unlike Saipan and Tinian, however, Rota’s market mix is less diverse. Some 72% of arrivals come from Japan and nearly 20% are from Guam. In the year 2010, the balance of Rota’s recorded visitors were from the U.S. Rota may have received some guests from Russia, but these went unrecorded. There were no tours sold for Chinese tourists.

Recently-attempted air charter programs

In April of 2008, Kinki Nippon Tourist, Co., Ltd. (KNT) together with its local affiliate Pacific Development Inc. (PDI) announced a program to bring 40 charter flights from Narita, Japan directly to Rota. The flights were to be supported by a \$120,000 subsidy from the MVA budget. Through a charter with Continental Airlines, the flights were accompanied by marketing efforts in Japan and had the potential to bring in an approximately 8,000 tourists per year for an average of four days and three nights. The charters were so successful that PDI found it had to

⁸⁶ “New Casino Investor Wants Better Rota Airport,” Saipan Tribune, July 27, 2011; “Rota Hotel workers say they’re owed \$57K in back wages,” Saipan Tribune, September 12, 2011.

⁸⁷ Source: Department of Labor and Immigration (Rota)

bring additional dive masters from Saipan to support the three local dive shops on Rota. The company also noted the need for additional bus shuttle services. With the declining CNMI government budget, however, the MVA was unable to pay for the subsidy.

Since 2010, the islands have sought new ways to support and reinstate the Japan-Rota charter flights. The plan as of this report was to subsidize 10 charters annually through a partial allocation from a new Tourism Promotion fee of \$15 that will be charged to all incoming tourists to the Northern Marianas. Public Law 17-58 adopted in November 2011 extended the application of a Tourism Incentive Program and established a customs quarantine tourism revolving fund. The law also imposed a \$15 customs and quarantine fee to be assessed against the carrier of every arriving passenger whose original point of embarkation is a non-U.S. country. This fee which was slated to begin in FY2013 will be used to recover costs incurred for enforcement of customs and quarantine laws, and to promote travel to the islands.

Possible transportation innovations

In addition to the direct flights from Japan, STAR Marianas – a Tinian-based interisland airline has looked into the possibility of purchasing additional planes to serve the Rota-Guam route. If the cost could be significantly reduced for this short inter-island flight from Guam, it is believed that Rota could be promoted more effectively in Guam with significantly increased traffic both for Guam residents and international passengers traveling through that island's regional airport hub.

Another transportation issue that has been difficult for Rota is that of sea freight and the fact that the island does not have a ferry service. At certain times during the year, rough seas make it difficult for ships to call on the seaport of Rota, driving up the cost and availability of all commodities. For the long-term benefit of Rota's tourism industry, a car ferry from Guam to Rota would be idea to help encourage more visitation from the nearest neighboring island, as well as to reduce the cost of goods that Rota needs for essential supplies. At the same time, additional transportation to Guam could help promote Rota's agriculture industry.

Although unverified as of this report, there is some discussion in the community of a privately-owned hover craft service that may begin service in 2012 from Guam. The venture, which reportedly had experience with similar operations in the Caribbean, could support 150 passengers plus cargo.

If any of the transportation initiatives discussed in this section should become successful, Rota would have a significant opportunity to improve its tourist numbers.

Opportunities for tourism product development for Rota

Beyond transportation, Rota has a number of other needs in order to fully restore its tourism industry. For the most part, the streets of Rota remain clean and lined with many flowering plumeria trees that were planted by island residents. Flame trees bloom abundantly throughout the island and the beautiful white sand beaches are pristine and inviting to tourists. The MVA maintains most tourist sites and has managed to keep the famous Swimming Hole and other sites clean.

But what about the small island and park at the entrance to Songsong Village? Located right on the main road, the Pinatang Beach Park is owned by the municipality and is a highly-visible reminder that the government lacks funds to maintain public facilities. What was once intended to be a free waterpark is now the site of broken facilities. At the time of this report, the

CNMI government did not have the funds to maintain and restore this once-beautiful park. However, one possible solution for Pinatang Beach Park was provided in the *2009-2014 CNMI Comprehensive Economic Development Plan*. The site was identified as a good candidate for a public-private partnership. Through a competitive bidding process and concession agreement, the Municipality of Rota could provide the opportunity for a private company to improve and operate the park as a visitor site. The private party would be responsible for facilities and maintenance in exchange for the opportunity to earn revenue on the site.

Another possibility suggested for the park was simply to remove most man-made facilities from the site and restore it as a nature preserve – but this would require public funds.

Lack of interpretive information

Another aspect of product improvement is interpretive signage. Many of Rota's nature and historical sites are currently underutilized as memorable tourist attractions because there is little information shared about them. Perhaps the most significant historical site is the As Nieves Latte Stone Quarry, a highly-accessible site not far from the Rota International Airport. The quarry features many large carved stones from ancient Chamorro times, yet there is no information on the site to explain what they are, nor how to link their significance to other latte stone sites around the islands of the Marianas.

Another underutilized site is the Santa Lourdes shrine. Located on the hill above Songsong village, this is one of the few historic structures in the entire Marianas chain that remains from the Spanish occupation of the islands in the 1980's. The site offers a beautiful view and picture-taking opportunity, yet there is no information about the significance of the site for visitors to understand what they are visiting. In general, interpretive signage at this site and numerous other historic sites around the island would provide for better educational opportunities and more memorable experiences for island visitors.

Closely related to the matter of interpretive information is the outfitting of posted hiking and bike trails for active visitors to easily enjoy on their own or in groups for photography, bird-watching, sightseeing and nature enjoyment, picnicking, and similar motivations. Rota lends itself perfectly to self-guided touring and could boost its independent traveler business if it were better equipped.

Vacant buildings in Songsong village

In discussions with Rota's leaders, the village of Songsong was also mentioned as an area needing special additional attention. The downtown area currently suffers from many of the same problems as Garapan on Saipan and other towns across the U.S. mainland where business closures have resulted in maintenance issues and unattended buildings.

Throughout the island it is evident that the private sector owners of hotels, retail stores, restaurants and other businesses have had to defer maintenance costs or simply close their doors during the prolonged economic downturned. In downtown Songsong, the evidence of the downturn is highly concentrated. Many buildings need clean-up, which could be as simple as power-washing to address seasonal mold that builds easily in the tropical weather. Other landscaping issues need maintenance and refreshing. Some businesses that once catered to tourists are no longer operating or have given up the tour busses and personnel they once had to serve groups of tourists.

A special instance of severe blight which holds some opportunity is the abandoned Paupau Hotel at the west edge of the village at the foot of Wedding Cake Mountain. The site offers memorable views and needs a modern hotel to replace the skeleton of the old one. The successful reopening of a hotel at this site would help re-invigorate the town's economy as well as the tour industry generally.

The core of the problem

To ensure their attractiveness to tourists, numerous small businesses of Rota need access to financing in order to improve their businesses, but without transportation to bring in tourists, these businesses will have little opportunity to earn adequate revenue. Like the famous puzzle Rubick's cube, Rota's tourism solutions must fall into place all at the same time in order to be successful. What is the government's role in speeding up the process and spurring re-investment in tourism businesses?

Transportation requires demand and perhaps a certain level of government subsidy, which would in turn return to the island in the form of tourist revenue. Tourist demand will not occur without awareness, which is dependent upon marketing. The money to market and subsidize transportation requires a budget and the expectation of a reasonable return on investment in order to warrant the expenditure of public (or private) funds. Privately-funded marketing and business improvements are difficult without revenue and financing, which calls for sound business plans and a reasonable potential of future customers.

Key points and recommendations

- Rota has a unique attractiveness as a tourist destination due to its beautiful nature and historic attractions. Its location just a short 20-minute flight from Guam would seem to make it an easy place for R&R for Guam residents, as well as international tourists seeking a getaway in quiet surroundings. Rota has enough hotel facilities and day-time attractions to provide for a good tourism base. The legality of a casino industry offers a future opportunity for more night-time attractions.
- Rota suffers from a lack of marketing and a severe shortage of transportation. The CNMI Administration and Rota leaders should work together on a solution to subsidize the island's transportation to at least a minimum subsistence level.
- Because of its close proximity and population growth, Guam offers a good opportunity as a source market for tourists. U.S. citizens do not need a visa or even a passport to enter the Northern Marianas. However, an adequate budget must be devoted to marketing the island in Guam. For example, Rota should develop a relationship with the military's Morale, Welfare and Recreation clubs on Guam. Other activities such as sporting events, scuba diving, festivals and weekend getaways will also give Guam residents reasons to come, but they must be promoted. The use of the internet and social media can provide a low-cost means of reaching potential visitors. (*See 10 Quick Wins for Inter-Island Tourism within this chapter*)
- Since the central marketing budget for the entire CNMI is currently inadequate to market effectively in international destinations, new dedicated funding sources must be developed. A current trend is to raise marketing funds through user fees, such as the new \$15 fee for incoming visitors to the CNMI. For example, a portion of this fee could be devoted to supporting each island's promotional needs based on the number of visitors

each island receives. This fund will build naturally over time as the effects of more marketing and better transportation are realized.

- Numerous nature and historic sites offer educational opportunities for visitors, but without interpretive signage, they are not meeting their full potential. Rota should work with its Office of Historic Preservation and the CNMI Humanities Council to improve its interpretation program and signage, paving the way for the introduction of new technologies suited to the targeted visitor groups. Solutions are multiple: posted signage, way finding arrows, printed guide booklets, trained naturalist guides, rental audio phones, cellphone dial-in animated recordings and other mobile applications. The CNMI could put these interpretive solutions out to a competitive bid for experienced contractors to recommend the optimal mix of technologies.
- To stimulate independent touring to all parts of the island, in selected areas where they serve panoramic viewpoints, a number of trails can be re-conditioned for safe and easy walking and cycling. Similar to the “Adopt a highway” program in the USA, local businesses and scouts groups could be enlisted to maintain stretches of such trails symbolizing healthy community involvement.
- The As Nieves Latte Stone Quarry with its huge latte stone carvings is a mysterious site from ancient Chamorro culture. The significance of this site which is unique in the world deserves special recognition, interpretation and preservation for future generations. It is recommended that this site be submitted for UNESCO World Heritage Site consideration. *(See chapter 6 – Product Development)*

Marketing Inter-Island Tourism

At the request of MVA, in 2007 the Ad Hoc Niche Marketing Committee developed a presentation to help promote Rota, entitled “Quick Wins for Rota Tourism.” The presentation analyzed Rota’s unique challenges, as well as outlined the committee’s ideas for marketing the island. The presentation was made to Rota’s leadership, but was never fully implemented as efforts were instead focused on new charter flights. However, the situation analysis and many of the promotional ideas of the committee demonstrate niche marketing concepts that have not gone out of date. Therefore, the project team felt the work of the committee should be highlighted in this master plan as “food for thought” for future marketing efforts.

The committee noted that Rota’s tourism industry is influenced by several factors: international arrivals on Saipan, inter-island air service, demand for travel to Rota, and lack of awareness.⁸⁸ These factors were seen as interdependent. Arrivals increase the demand to explore inter-island travel in the Northern Marianas, and demand determines profitability of air service providers, hotels and other businesses. Marketing, air fares, ease of schedules and flight frequencies all impact levels of demand. The committee recommended that someone be assigned to take ownership and be very focused in promoting Rota. Key strategies included:

- Create or select existing events to promote
- Promote inter-island travel in a targeted manner for specific activities, events and attractions

⁸⁸ These concepts are also valid for Tinian.

- Work in greater partnership with the airlines
- Re-position Rota as accessible, affordable, unique
- The presentation primarily targeted Guam, since it the closest market in proximity.

The recommendations included the following:

1. ***Build the team.*** A team should be formed to promote Rota. Led by the MVA, it could be composed of MVA, a representative of Rota's business sector, representatives of inter-island air services, and a marketing coordinator based on Guam. The team's purpose would be to coordinate closely with the Rota Mayor's Office, Rota's tourism industry stakeholders, MVA and to develop a roadmap for the islands' tourism industry, initially targeting Guam.
2. ***Promote special events, giving tourists more reasons to come.*** Identify, package and aggressively market special events, activities and attractions. Target two events per month which could be marketed in Guam, Saipan, Japan or Korea and on the Internet. Involve air providers in developing promotions and marketing.
 - Example: Create an annual "Rota Cook fest" focusing on indigenous foods or that brings together the best chefs and local cooks from the islands to compete. The main ingredients would be indigenous products (coconut crabs, sweet potato, taro, etc...) Invite food experts from Guam and Saipan as judges.
 - Example: Sports and Eco-tourism events – Golf, triathlon and adventure sports events already exist on Rota. The challenge is to make them more well-known and accessible through direct outreach to sports groups (a key niche marketing tactic).
 - Example: Highlight Rota's unique and deep "Hafa Adai" spirit - Attract more attention to Rota's hospitality tradition of waving and smiling at strangers. Create feature stories and interviews to be shown on media publications and broadcasts.
 - Example: Create a "Summer Break" beach party targeting the military and students from University of Guam. This event could include a "Battle of the Bands" concert or a "Weekend Music fest," inviting bands from Guam, Saipan, and the US Military.
3. ***Involve inter-island airlines in strategic planning and marketing of events.*** Negotiate with airlines to develop group packages of six, eight and ten people and encourage greater air frequencies for the long term. Provide consistent media mileage for airlines in marketing collateral and through participating media.
4. ***Explore possibilities for increased boat service from Guam and internationally.*** Pursue all options for ferry service. Reduce mooring fees for private boats to dock in Rota. Assist and target charter boat operators to develop and market travel packages so even small groups can visit Rota on a cruise. Consider that travel by ferry or boat takes up to six hours on smooth seas and up ten hours on rougher waters. Therefore, boat trips could be tied with on-board events/activities to keep travelers entertained.
 - Example 1: On-board activities could include a "Poker Weekend" featuring a Texas Hold 'Em Poker competition with its preliminary event on-board and final rounds at Rota casinos.
 - Example 2: Golf, fishing, water sports, extreme sports competitions. Encourage sponsorship and participation by airlines, hotels and local restaurants.

5. ***Build key media and U.S. military relationships.*** The military presence will grow in Guam, and there is an opportunity to position Rota as a safe, close R&R spot. Establish relationships with the military's Morale, Welfare and Recreation clubs and other military tourism organizations on Guam and in Japan. Cultivate relationships with Guam-based media publications and journalists, business organizations, academic institutions, student groups, sports associations and social clubs.
 - Example 1: Organize a FAM tour for military officials, journalists, writers and publications, showing the island and providing a list of annual events. Maintain an e-mail mailing list and invite media to be part of any major activity.
6. ***Re-brand Rota in advertising to appeal to the Guam market.*** Since people in Guam already know about Rota, it is not a matter of awareness, but more of accessibility, rediscovery, relaxation and recreation.
 - Example: Promote Rota through a bumper sticker campaign. Slogan idea: "Rediscover Rota." The sticker could contain an attractive graphic and name of a new Rota Website. Radio stations could promote the islands through contests, i.e. "Get Caught with an Rediscover Rota sticker contest."
 - Example: Consider event promotions and advertising via text messaging as a tie-up with local cellular providers. This is commonplace in countries like Japan.
7. ***Maximize Internet presence through linked websites, blogs and social media.*** Develop a target list of sites where Rota could be promoted. Update existing sites that may have inaccurate or outdated information. MVA should consider hiring a college student to do this on a project basis.
 - Example: Develop a Rediscover Rota website using the url: www.rediscoverrota.com. The site should contain all pertinent information on discounted rates, travel packages, activities, events and sample itineraries.
 - Example 2: Develop a "Nature's Treasure Island" blog and post Rota videos on YouTube – Encourage local writers to develop island stories through photographs and testimonies of local citizens, maximizing exposure on the island's unique attributes and special attractions. Link the blog and videos to the website and promote them through traditional media.
8. ***Encourage the development of charter flights to Rota.*** Support tour agent efforts to bring in charter flights from Japan for peak periods, weekends.
9. ***Develop long-term plans for tourism development.*** Engage local leaders and industry stakeholders in Rota in developing specific projects to help tourism. Consider public-private partnerships, federal economic development grants, and technical assistance to leverage tourism initiatives and projects.

VI. TOURISM PRODUCT DEVELOPMENT

Product development -- an integral part of tourism master planning

Based on visitor feedback, the Northern Mariana Islands must develop new attractions in order to rejuvenate their appeal as an exciting tourist destination. In many locations around the world, the enhancement or opening of new attractions is called “product development.” In the islands, this has also been called “destination enhancement.”

Best practices in international tourist product development state that unless the tourism product meets the needs and expectations of tourists, the destination cannot realize its full potential. In October 2010, the UNWTO and European Travel Commission published a new *Handbook on Tourism Product Development*, which outlines the essential elements in the process of tourism product development planning. It illustrated a range of successful approaches and case studies from around the world, setting out best practice examples and benchmarks by which destinations can assess their own product development system and methods.

The handbook recommends that tourism product development must be an integral part of master planning and should focus on the unique strengths of the destination (typically natural attributes and history), as well as the culture of the local community. These factors have the strongest influence on the memorable identity of a destination.

Product development plans should also take into account the actual interests of visitors. For example, what are tourists coming to the destination for and what do they most want to see more of? To this end, the 2011 Exit Survey provided valuable insights that can be matched to island assets in planning for new product development (*see Chapter 2: Key Markets*). Tourists of all nationalities overwhelmingly expressed the greatest level of interest in nature and cultural heritage attractions.

This chapter highlights some of the most significant and promising opportunities the islands should consider for the future. But how can the CNMI government invest in new attractions in such challenging economic times?

Public-private partnerships as a leveraging tool

The past two decades have seen a rapidly growing, global interest in sustainable tourism. Increasingly for many segments of travelers, particularly in the realms of what is known as eco-tourism, nature-based tourism and cultural tourism, the range of products they seek is becoming more and more ‘experiential’ in nature. They are dependent upon the optimal, and fundamentally sustainable, use of scarce resources in the form of protected lands, heritage resources and urban settings. This new focus is driving changes in both product development and tourism marketing, creating additional challenges for governments and destination marketing organizations like the MVA, which are struggling to maintain or increase market share within a tight budget environment.

To remain competitive, particularly among potential repeat visitors, tourist destinations must continually promote innovation and the development of new attractions. Not surprisingly, governments are turning to the private sector as a partner in creating and maintaining sustainable tourism programs. Through relationships termed “public-private partnerships” (PPPs), private entities and non-governmental organizations contribute financing, management expertise, technology, and other resources which can support tourism development. In these projects,

businesses take on the start-up and maintenance costs as well as the ongoing risks in exchange for a long-term business opportunity the government usually provides on an exclusive basis.

Examples of PPPs & practices leading to successful partnering⁸⁹

The United Nations World Tourism Organization (WTO) defines three key attributes of sustainable tourism. Such programs should:

1. Make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity.
2. Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance.
3. Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.

A number of different mechanisms exist by which the public and private sectors can collaborate to help achieve these objectives, ranging from small projects which may frequently be based on voluntary support from the private sector, to major infrastructure and new attraction development projects.

What are the respective roles of government and businesses?

It is important to remember that there are certain activities which are inherently governmental in nature. Although private input is valuable, it is ultimately the government's responsibility to:

- Facilitate tourism strategy formulation
- Prioritize and contract for major infrastructure projects
- Approve projects, permits and licenses
- Evaluate and monitor contracted services
- Approve payments for contracted services
- Act as a regulator in some instances

Private sector participation in sustainable tourism may occur in a wide array of activities, including:

⁸⁹ For background research and portions of the above chapter, the Project Team would like to acknowledge the Inter-American Development Bank, for which MAI's Principal Arthur L. Smith was hired to prepare and present a paper entitled, "*Public-Private Partnerships (PPPs) for Sustainable Tourism*," September 2011.

- Leadership for the tourism industry
- Marketing and promotion
- Investment in Product development
 - Infrastructure development/renewal
 - Attraction development/renewal/diversification
 - Enhanced productivity and service
 - Community development/renewal
 - Cultural and heritage protection
 - Environmental protection/enhancement
- Development and operations of tourist facilities
- Chartering and/or subsidies of transportation

Within each of the categories above, partnerships may range from relatively simple, collaborative efforts to large, complex projects requiring significant investment. Some current examples of PPPs in the CNMI include:

At Saipan International Airport, DFS has had a long-term concession agreement with the Commonwealth Ports Authority for retail operations, in exchange for the financial support it provides. Also at the airport, local businesses financed the improvements in the new executive lounge and provided for free wireless internet. Businesses sponsored a children's play area, a latte stone house replica in the baggage claim area, and an ecotourism display in the departure lounge. These sponsorships help ensure that visitors have a positive experience of the airport.

Managaha Island is operated through a concession agreement with the CNMI government which was renewed beginning September 1, 2006 for a ten-year period. The concessioner, Tasi Tours provided a \$1.5 million concession fee in advance for the first five years. Additionally, the concessioner provides for maintenance, operations and improvements to the islands' facilities in exchange for the exclusive right to offer tours, sell food and offer rentals on the island. Revenues from landing fees charged to tourists and other tour operators are shared with the government.

Another common form of partnership is for the private sector to subsidize air routes, improving ease of access and transport capacity. This has historically been a key tactic for the CNMI and other destinations where the lack of convenient flight options may discourage potential visitors. The Tinian Dynasty Hotel & Casino and Century Tours have partnered in providing charters from China, while Japanese firms have offered seasonal charters from Japan. The subsidy in the partnership can also come from government: in other locations such as Jamaica and Fiji, the government has invested with the private sector in national airlines in order to help secure service for the long-term (see Chapter 3B regarding Transportation for more examples.)

Many destinations have used voluntary contributions, both financial and in-kind, from local citizens and businesses to improve destination attractiveness. These may range from neighborhood clean-up or repainting efforts to installing new lighting or implementing a Neighborhood Watch program to provide a more secure environment for tourists. The "adopt a highway" program in many states of the US is another example, in which private businesses and clubs keep certain roadways tidy and litter-free. In the CNMI, a formal "adopt a beach" program might be worth establishing.

On Guam, the government wished to develop an elaborately-designed history and culture museum, not only for the indigenous people, but also as a tourism attraction. Led primarily by

private sector tourism leaders in partnership with the government's Department of Chamorro Affairs, the Guam Museum Foundation was formed to accept donations and apply for grants. Together these partners have been successful in raising millions of dollars for the new facility from private donations and hotel occupancy taxes.

In each of these examples, the private sector participation is provided on a voluntary basis. Private sector participation occurs because businesses of all sizes can see the potential for increased tourism revenue through provision of a more attractive, secure, or accessible destination. Such collaborations are feasible when the required investment is commensurate with the perceived potential for enhanced revenue.

On occasion, the participation of certain key stakeholders may be involuntary. For example, Grand Anse Beach on the island of Grenada, a primary tourist attraction for the island nation, suffered from overly aggressive marketing of goods and services from local vendors to tourists sunbathing or walking along the beach. The Government of Grenada (GoG) used financial assistance from the Canadian government to construct the Grand Anse Spice & Craft Market, and required all vendors to operate from this site. This effort was initially opposed by some local vendors, but the GoG advertised the market to ensure tourists were aware of it, and it soon became a tourist attraction in its right, regularly visited by tour operators in addition to individual tourists. The result was increased revenue for local small business vendors, and for tourists, an improved beach environment, and a convenient centralized location to shop for local goods and products.

Larger product development efforts will typically require a more formal agreement or contractual structure, and an appropriate enabling legal and regulatory environment to include clear and enforceable property rights, fair and transparent procurements, enforceable contracts, effective contract dispute provisions (to include the use of international arbitration bodies) will help to attract private partners to such projects. However, the

Government's Tools to Encourage Investment

Governments typically have a variety of tools available to help reduce start-up costs, reduce operating costs and/or create a shared revenue stream for private investors in a major project. These may include:

- The ability to collect user fees (e.g., for an airport, seaport, road, or utility)

- Free (or reduced cost) use of government land for a specified period

- Government-furnished utilities

- Off-site infrastructure or access improvements

- Tax incentives (either abatements or credits that can be earned by meeting performance objectives)

- Relaxing zoning restrictions on the use of land

- Exclusivity or limited competition to operate within a specified distance and/or time (Good for beach concessions and major tourist attractions where sometimes too much competition can result in over-solicitation of tourists.)

- Assistance with workforce screening, training and development.

- Matching grants for marketing and promotional activities

- Other free or subsidized technical assistance. The application of these tools is well known (if at times complex) as we consider projects such as an airport concession or the operation of an entire island as a concession. However, creating a viable revenue stream to support the goal of sustainable tourism development may sometimes require less traditional approaches.

rule that the potential benefits must be commensurate with the investment requirements is equally applicable for these projects. Where a large capital investment is required (e.g., to build a major road, airport, or water plant, or develop a major attraction such as a resort or theme park), the private investors should develop financial models to ascertain whether the probable project revenues will cover the project costs and provide an adequate return on investment.

Examples of tourism PPPs

Chumbe Island, off the coast of Zanzibar, in Tanzania was experiencing destruction of the native ecosystem, and the health of the adjacent coral reef was also deteriorating due to overfishing and unsustainable fishing techniques. The government entered in to a PPP whereby it granted an environmental NGO a long-term concession to the island and reef, and banned fishing in the reef area. The NGO hired displaced fishermen to patrol the reef and enforce the ban, and provided environmental awareness training to local villages. The NGO began restoring the island ecosystem, and built environmentally-friendly bungalows and a visitor center on the island. Today, the tourism revenues from visitors to the project cover all costs of both the destination operation and maintenance and the environmental improvement effort. The native ecosystems have been significantly strengthened, with no capital investment from the government.

The Marion Davies Estate in Santa Monica, California, is a mansion on a Pacific Ocean beach, once owned by the Hollywood film star of the 1920s – 1930s. After her death, the structure was heavily damaged by an earthquake, and the owners, unable to pay for its renovation, stopped paying taxes. The building was seized by the City, which was equally unable to pay the multi-million dollar renovation bill. The City entered into a PPP in which a private party restored the mansion to its former glory, and now uses the facility as an inn, movie set, and special event location.

In the Commonwealth of Virginia, the Governor recently announced \$800,000 in grants to 50 firms in the private sector. The funding which was provided through the state-operated Virginia Tourism Corporation matches and therefore leverages private investments in innovative tourism promotions and advertising to increase visitation to the state.

Union Station in Washington, DC was the largest train station in the world when it opened in 1907. By the 1970s, declining passenger rail traffic meant that it was no longer cost-effective, and the Station was closed. A PPP was used to restore it to commercial viability, by restoring rail traffic, linking it with other transport modalities, and introducing retail and office tenants to create a new revenue stream. More than 100 retail spaces were created, many operated by MSMEs. The location also has a large fee-based parking garage, which not only supports the needs of travelers using the station, but surrounding retail and office buildings as well. Today, Union Station is financially robust, and the single most-visited site in Washington, DC., with over 25 million visitors per year.

In Paris, the Vincennes Zoo was in need of renovation and expansion to meet its objective of becoming a 21st century research, teaching, biodiversity, and tourism center. Through a PPP, private investors provided EUR 132 million in initial financing, and will design, build, operate and maintain the new zoo for 25 years.

Recommended strategy: partnership for investment promotion

This master plan calls for an effort by the CNMI government and tourism stakeholders to formulate and implement a strategy of “re-engineering” the Northern Marianas as a good investment destination, based on outreach to capital markets in the Asia-Pacific region. The CNMI government needs to periodically refresh its investment tools in order to attract new developers and bring in new capital. Such capital is needed to:

- a) Upgrade and reopen the best of the islands’ closed hotels and other idle attractions;
- b) Develop innovative new resorts and attractions tailored for the expectations of the targeted travel markets.

Some of these investors will undertake projects in partnership with current operators in islands. In other cases, new investors will create their own “tourism supply chain” and efficiencies through the packaging of tourism services. This is called “strategic vertical integration,” and typically includes the handling of marketing networks in key source countries. These are packaged with transportation, hotel stays, land tours and the operation of attractions in the islands. In this way, tourism investors can help the Northern Marianas to broaden the range of tour products, for example to include “fly & dive” live-aboard scuba packages, ecotourism experiences in the Northern Islands, and “fiesta breaks” timed with special events occurring in the islands.

Part of the success of this investment promotion strategy is to tap the proven know-how of some of the region’s top tour operators, matching the travel markets with entrepreneurial vision while tapping the region’s sources of capital. The security of tourism investment in this American jurisdiction under the protection of U.S. laws may be attractive to some new investors, and these should be targeted in outreach by the CNMI government.

Key points and recommendations

- The Northern Marianas must have continued investment in new product development in order remain competitive as a tourist destination. Several significant projects which may best leverage and complement the existing attractions and expectations of tourists are highlighted in the following pages.
- PPPs can be a powerful financing tool for tourism product development and enhancement. While not the best tool for every requirement, the strategic use of partnerships can contribute to the development of sustainable tourism. Maximum benefit can be obtained from PPPs that harmonize with the needs of existing tourism stakeholders.
- PPPs for sustainable tourism can encompass a variety of different models, from simple volunteer collaborations designed to improve the tourism experience, to major infrastructure and project development projects. As the risks and capital investment required for partnerships increase, so will the need for a formal, long-term agreements between the government and private investors.
- Private investment is attracted by open market conditions and transparent and predictable policies and procedures. The potential rewards for businesses must be commensurate with their investments. This applies to all PPPs -- from small, voluntary projects to major resort development efforts.

- The CNMI government needs to attract new foreign investors; however, tying up public lands with unproductive investors has been a problem in the past. The CNMI government must develop its capability of conducting proper due diligence on all proposed development projects above a certain value (for example over \$10 million) for the purpose of evaluating overall viability. To save time and financial resources, the CNMI government should tap into the research capability of U.S. embassies in source countries to help do background checks on potential foreign investors.

The remainder of this chapter provides vision statements for several product development ideas that offer significant potential for the islands. The proposed projects would capitalize on the special assets of the Northern Marianas and/or address significant problems that are currently providing hindrances for the revitalization of tourism.

Visitor Center for the Marianas Trench Marine National Monument

A significant opportunity for destination re-branding

One of the most mysterious and unexplored locations on Earth, the Mariana Trench is deeper than Mount Everest is high. It is five times longer than the Grand Canyon and includes more than 61 million acres of virtually unknown characteristics. On January 6, 2009, the value of this wondrous place of scientific significance was formally recognized as President George W. Bush established the Marianas Trench Marine National Monument under the authority of the Antiquities Act of 1906. The news of this new national park of the sea generated worldwide publicity for the Marianas.

Only recently have scientists visited the realm of the monument, observing previously unknown biological, chemical and geological wonders of nature. The monument consists of submerged lands and waters of the Mariana Archipelago and includes three units:

The Islands Unit incorporates the waters and submerged lands surrounding the three northernmost Mariana Islands: Farallon de Pajaros, Maug, and Asuncion, below the mean low water line. In the Islands Unit, unique reef habitats support diverse marine biological communities unlike any found elsewhere in the Pacific. It includes the most diverse collections of stony corals in the Western Pacific, including more than 300 species, higher than any other U.S. reef area. It includes the highest large fish biomass in the Mariana Islands, including the rare bump head parrotfish, which thrives in these waters. Part of the Commonwealth of the Northern Mariana Islands, the CNMI government maintains all authority for managing the three islands above the mean low water line.

The Mariana Trench Unit is almost 1,100 miles long and 44 miles wide and includes only the submerged lands. The submerged lands extend from the northern limit of the Exclusive Economic Zone (EEZ) of the U.S. in the CNMI to the southern limit of the EEZ of the Territory of Guam.

The Volcanic Unit consists of small circles (2.3 miles in diameter) around 21 active undersea mud volcanoes and thermal vents along the Mariana Arc.

Presidential Proclamation 8335, which established the monument, gave the Secretary of the Interior management responsibility for the monument, in consultation with the Secretary of Commerce. The Interior Secretary has delegated his management responsibilities for the Marianas Trench and Volcanic Units to the U.S. Fish and Wildlife Service under the National Wildlife Refuge System.⁹⁰

Commercial fishing is prohibited within the monument, but the Proclamation gives the Secretary of Commerce, through the National Oceanic and Atmospheric Administration, primary responsibility for managing fishery-related activities. In addition, the Proclamation requires the secretaries to establish a Mariana Monument Advisory Council to provide advice and recommendations on the development of a management plan for the monument. The Council includes at a minimum three officials of the CNMI government and one representative each from the Department of Defense and U.S. Coast Guard.

⁹⁰ U.S. Fish and Wildlife Service, Marianas Trench Marine National Monument website www.fws.gov/marianastrenchmarinemonument; National Geographic, and the Pew Charitable Trust.

The plan will also provide for public education programs, traditional access by indigenous persons, scientific exploration and research, and programs for monitoring and enforcement. Because of its remote location, the Monument will not likely be accessible to many tourists. However, a unique opportunity exists for the establishment of a visitor center which could be placed on the CNMI's capital island of Saipan. A visitor center could provide an educational opportunity for tourists and local residents to explore the wonders of the Marianas Trench, the undersea and land-based volcanoes of the Northern Islands, as well as the science, nature and unique culture of this special area.

The establishment of a Mariana Trench Marine Monument Visitors Center would be a highly complementary attraction that could generate interest, prestige, economic benefits as well as significant branding opportunities for the Northern Marianas as a destination. In fact, during public debate leading up to the President's establishment of the Monument, the locally-established Friends of the Mariana Trench Monument, Marianas Visitors Authority, Hotel Association of the Northern Mariana Islands and numerous others endorsed the concept. Three years since the declaration, however, there has yet to be a project plan for the facility -- either federally or locally. This raises an important question: should the islands establish an initiative for this project which could benefit both tourism and the community for years to come?

The Marpi Historic & Cultural Heritage Area – Saipan

Recommended initiative for long-term sustainability of historic and cultural sites



The Marpi area of Northern Saipan is a treasure trove of historical, cultural and natural assets. As revered and spiritually significant as it is for some visitors, it is naturally beautiful, exciting, and exotic to others. Marpi is a location for picture taking, prayers, and remembrance. It offers memorable adventures for sports enthusiasts.

Virtually every visitor goes to the Northern area of Saipan at some point in their trip to the Northern Marianas. It is on the “must-see” list for island tours, ranking high for visitation by people of all nationalities in the

2011 Exit Survey. Even with the high number of repeat visitors among this nationality group, at least half of all Japanese visitors go to the Marpi area when they visit Saipan. Many Japanese come for annual pilgrimages to remember loved ones at the Marpi area memorials.

The number of Korean, Chinese and Russian tourists who take island tours and visit Marpi is similarly very high. For people of all nationalities, their motivation is to respectfully honor ancestors and countrymen from prior eras, to reflect on past events, and to educate today’s generation about the important historical events which took place in this location. This historical area has become rooted in the culture of the islands.

Many tourists and residents alike also enjoy the area for thrilling scuba diving, hiking, biking, caving and picnicking opportunities at the Last Command Post, Banzai and Suicide Cliffs, as well as the famous Grotto and Bird Island. Someday another area attraction will be added to this list: the historic Kalabera Cave.

An unattended area requiring security & maintenance

One of the great attributes of the Marpi area is that is easy to find and enjoy -- with or without a guide. While a few of the sites have security guards provided by the MVA, security problems persist as the area is completely open to all. Depending on the season, an estimated 20,000 to 40,000 tourists visit the area each month, carrying cash and cameras.

Providing for the maintenance of the tourist sites and the walking paths is another challenge. Surrounded by jungle, the sites quickly become overgrown in the tropical weather. Refuse removal requires daily attention. The monuments require occasional cleaning and attention to signage. In spite of the high significance and visitation to the area, however, recently the maintenance budget has been cut along with much of the CNMI government’s budget.

As noted by MVA officials at the time of this report, the maintenance of the Marpi area cost at least \$200,000 per year to maintain. This is a modest sum by typical state park standards in the U.S., but now out of reach for local budget limitations. In addition to the maintenance, the MVA finances the security at the main visitor sites at a cost of more than \$120,000 per year. All of this goes towards providing a free cultural heritage park area that is open to all.

Proposal for a new park management approach

How can the Marpi area be better secured and maintained, and possibly even enhanced with a visitor center? The management approach to this area could be changed by the CNMI government to designate it as a state park. This site is public land under the jurisdiction of the CNMI Department of Lands and Natural Resources.

In most state and national parks where there are valuable historic, cultural and scenic attractions, there is typically an official, dignified entrance that provides a sense of place as well as a measure of control. The presence of an attended welcoming booth with a uniformed "ranger" signifies that visitors are about to enter a significant and valued place that the community wishes to protect for future generations. Frequently areas like this also have roving park rangers in motor vehicles, on bicycles or on horseback.

A name like the "Saipan Memorial Heritage Park," for example, would let visitors know that this is a special area of interest. An attractive gateway could be created which would be placed just before the road reaches the first monuments. Conceivably this "ranger station" would welcome all visitors to the area and check in all vehicles as they enter. A uniformed park ranger at the gate would collect a nominal fee per tourist, noting arrival times, license plate numbers, and the presence of walk-in visitors on foot.

The charging of a small entrance fee to visit special park areas is customary around the world. The topic of fees has many possibilities: charges by each visitor, charges by vehicle weight, no-fee entry for locals/taxis, annual memberships for unlimited visits, etc. An analysis of visitor control options and revenue-raising options should be undertaken.

There would be issues to address for local residents: visitors coming to the Veteran's Cemetery or Saipan's Sanitary Landfill would need to check in at the gate, but perhaps without paying a fee. For security purposes, however, there would be a record created by the entry gate of everyone who is in the area at any time. This would be an important deterrent to crime. For the benefit of tourists, the visitor's gateway could also provide brochures, safety information and rules for the use of the park.

One possible way to manage this without utilizing scarce government funds would be to put out a request for proposals, awarding a concession under contract that would provide for development costs and ongoing maintenance. The selected concessioner could build (with approved design) and maintain an attractive entrance.

Like Managaha's concession, the concessioner would submit operational plans for park upkeep and revenue-sharing with the government. After some acceptable level of profit for the concessioner, excess revenue could be used to maintain other tourist sites -- or be reserved for the later development of a more substantial visitor center and possibly even a snack bar featuring a variety of interpretive displays on the significance of the historic and natural assets of the park.

This type of management scheme under an official state park designation would provide for future sustainability in terms of better caring for the area's needs, environmental and historic preservation, while improving the visitor experience with enhanced security, educational and safety information, and overall value.

Recognition & Improvement of the Ancient Latte Stone sites

An untapped opportunity for cultural heritage development & enrichment

Of all the symbols used by the indigenous people of the Marianas – whether it is something incorporated into the logo designs of numerous organizations or businesses, or a name applied to a club or social activity -- one of the most commonly popular symbols is that of the latte stone. Little is actually talked about in modern society about the meaning of the stones and how they were carved, but what is commonly known is that ancient Chamorros and in particular, the legendary Chief Taga of Tinian used these stones as architectural pillars for their homes and village formations.

The Mariana Islands are home to the only known latte stone historical sites in the world. Tinian's House of Taga and the *As Nieves* Taga Quarry at Rota, as well as other latte sites on Saipan are priceless symbols of Chamorro culture. The sites on Tinian and Rota are particularly accessible, located along main roads.

Tinian's House of Taga is located near the seaport, while the Rota Taga Quarry is just a short drive from the airport. There are other numerous sites located in the jungles of all three populated islands, as well as several on the uninhabited Aguiguan Island to the south of Tinian.



Relics of ancient Chamorros

Latte stones were hand carved out of limestone by ancient Chamorros in varying sizes according to the status of the intended homeowner. Because latte houses are not found anywhere else in the world, most historians and archaeologists who have studied these sites agree that the practice of building such stones into the foundations of homes is unique to the ancient Chamorro culture of the Mariana Islands.

Latte houses have a specific place in Chamorro history. According to legend, Chief Taga — known for his superhuman strength — built the first latte house on Tinian after abandoning his original plan to build on Rota. Regardless of legend, the latte sites are vital pieces of Chamorro cultural heritage and distinct historical markers which demonstrate where ancient islanders sited their homes and villages.

The CNMI Historic Preservation Office and historians have noted numerous stories and have archived photographs showing these sites throughout the years during the various foreign occupations of the islands. Information about the latte stones is available on a limited basis to

CNMI students through the Northern Marianas history textbook⁹¹. Tourists can see a small latte stone house replica when they arrive in the baggage claim area of Saipan International Airport.⁹² However, the signage at the actual sites provides little clues and interpretation for visitors about the history and meaning of these important cultural heritage sites.

How can these sites be better appreciated and enhanced to better take advantage of their potential for tourism, while also recognizing the uniqueness they represent and the care that must be taken to preserve their integrity for future preservations?

One part of the answer is increased marketing, promotion and interpretive information at the sites themselves. The Northern Marianas could also develop books and videos which would be intended to help people of all nationalities learn more about the mysterious stones.

Potential World Heritage sites

For the long term, a more significant project would be to seek the internationally-recognized World Heritage status by the United Nations Education, Scientific and Cultural Organization (UNESCO) for the sites. Since the late 1970's, this prestigious globally-owned organization, the UNESCO World Heritage Convention,⁹³ (WHC) has sought to promote and protect significant "cultural heritage sites," that include "works of man or the combined works of nature and of man, and areas including archaeological sites which are of outstanding universal value from the historical, aesthetic, ethnological or anthropological points of view."⁹⁴ There are currently 936 World Heritage sites as of 2011, with more being added to each year.⁹⁵

The international distinction, prestige and attraction of World Heritage status is well known in the Northern Marianas' primary tourism markets. Japan has 16 sites, while South Korea has 10. China has an outstanding 41 sites. In the United States, there are currently 21 recognized sites, which include 2 nature-based sites in Hawaii – the Hawaii Volcanoes National Park and Papahānaumokuākea marine sanctuary. The only U.S. territory that currently has a site is Puerto Rico, namely the La Fortaleza and San Juan National Historic Site.

The latte sites on Tinian and Rota are unique historical markers of ancient Chamorro architecture and culture. Could they qualify for World Heritage Status? In order to get onto the list to apply, the CNMI as a U.S. territory must first seek to be placed on the list of American sites that may be considered for application.

Tinian and Rota's latte stone sites must also meet the WHC requirements for "outstanding universal value." This means that they must have international value and meet one of several criteria listed by the WHC. The House of Taga and *As Nieves* Taga Quarry at Rota may meet the criterion that a site must "bear a unique or at least exceptional testimony to a cultural tradition or to a civilization which is living or which as disappeared."⁹⁶ The latte sites of the Marianas are the only locations in existence and are an integral piece of Chamorro history and culture, both archaeologically as well as ethnologically.

⁹¹ "History of the Mariana Islands to Partition," Don A. Farrell, 2011

⁹² A project of the CNMI Tourism Master Plan of 2006-2010, the exhibit is sponsored by Pacific Islands Club.

⁹⁴ United Nations Educational, Scientific and Cultural Organisation (UNESCO) Operational Guidelines for the Implementation of the World Heritage Convention (Intergovernmental Committee for the Protection of the World Cultural and Natural Heritage, 2008) 13.

⁹⁵ UNESCO World Heritage website, October 2011. See <http://whc.unesco.org>.

⁹⁶ Ibid.

The sites are also of international historical value. A member of the Legazpi expedition of 1565 wrote a description of what ancient Chamorro latte houses looked like.⁹⁷ Miguel López de Legazpi was a Spanish conquistador who sojourned with his men at the Mariana Islands. The members of the expedition proceeded to invade Cebu and colonize Manila. The latte sites were present on the Mariana Islands when the Legazpi expedition stopped on the islands and are therefore a significant part of Spanish and Pacific history as well.

How are World Heritage sites evaluated?

In order to qualify as a World Heritage site, Tinian and Rota's latte sites must also meet authenticity and integrity standards, as outlined by the United Nations Educational, Scientific and Cultural Organization's (UNESCO) *Operational Guidelines for the Implementation of the World Heritage Convention*. Overall, the sites must meet at least 1 of 10 criteria:

- 1) Represent a masterpiece of human creative genius;
- 2) Exhibit an important interchange of human values, over a span of time or within a cultural area of the world, on developments in architecture or technology, monumental arts, town planning or landscape design;
- 3) Bear a unique or at least exceptional testimony to a cultural tradition or to a civilization which is living or which has disappeared;
- 4) Be an outstanding example of a type of building, architectural or technological ensemble or landscape which illustrates (a) significant stage(s) in human history;
- 5) be an outstanding example of a traditional human settlement, land-use, or sea-use which is representative of a culture (or cultures), or human interaction with the environment especially when it has become vulnerable under the impact of irreversible change;
- 6) Be directly or tangibly associated with events or living traditions, with ideas, or with beliefs, with artistic and literary works of outstanding universal significance;
- 7) Contain superlative natural phenomena or areas of exceptional natural beauty and aesthetic importance;
- 8) Be outstanding examples representing major stages of earth's history, including the record of life, significant on-going geological processes in the development of landforms, or significant geomorphic or physiographic features;
- 9) Be outstanding examples representing significant ongoing ecological and biological processes in the evolution and development of terrestrial, fresh water, coastal and marine ecosystems and communities of plants and animals;
- 10) Contain the most important and significant natural habitats of in-situ conservation of biological diversity, including those containing threatened species of outstanding universal value from the point of view of science or conservation.

⁹⁷ Don A. Farrell, History of the Mariana Islands to Partition (Public School System, Commonwealth of the Northern Mariana Islands, 2011) 87.

Recognizing that an initiative to apply for UNESCO World Heritage status for Rota and Tinian's latte stone sites would be an ambitious long-term project for the Northern Marianas, this could bring substantial socio-economic benefits in terms of preserving these sites for future generations, improving their prestige and value to tourism, for branding the CNMI and creating civic pride for the indigenous people of the Northern Marianas. Federal technical assistance and guidance should be sought in fulfilling this project. Whether or not the latte stone sites eventually achieve World Heritage Status, additional interpretive signage and educational materials should be developed for the benefit of visitors and residents alike.

Nature-based Tourism in Uninhabited Islands: Aguiguan and The Northern Islands

An untapped opportunity for future tourism development

An abundance of birds and wildlife, both on land and under the sea. Historic remnants of the Japanese era. Native jungles, exotic black sand beaches and scenic vistas. Geothermal features and unusual rock formations. Untouched coral reefs. Smoking and dormant volcanoes. These are just some of the wonders that a visitor can experience in the uninhabited islands of the Marianas. Other than the occasional fisherman or research team, very few people have had the opportunity to visit these islands due to the absence of transportation.

Aguiguan, which is just south of Tinian, and the Northern Islands, which encompass eight uninhabited islands north of Saipan, are rare places where visitors can experience the unusual experience of being on uninhabited islands. For those who have spent time on any of these islands, the experience of being surrounded by untouched nature represents the thrill of a lifetime. In these islands, the natural environment is highly protected: many are nature preserves and cannot be visited without CNMI government permission. The government owns all of the land, so there are currently no private developments.

How can these islands be made more accessible?

Aguiguan (or “Goat Island” as it is known to local residents) is the easiest island to visit, at just a 30-minute boat ride from Tinian. For the Municipality of Tinian which oversees the island, Aguiguan represents an opportunity to establish a new signature eco-adventure attraction. The island has remnants of the Japanese sugar cane industry, as well as native jungles, fruit trees, an abundance of birds and goats. At the south end of the island, there are stone steps and a cable that was once used by Japanese laborers to lift supplies onto the island’s high plateau. For tourism purposes, some basic facilities would need to be established on Aguiguan, but these could be put in place through private investment – perhaps in the same manner as the concession at Managaha Island. Because of its close proximity to the inhabited island of the Marianas, Aguiguan could make an ideal testing ground for eco-adventure tours that could eventually be extended to the Northern Islands.

To get to the **Northern Islands** which stretch hundreds of miles north of Saipan, travel by boat takes many hours over potentially rough seas. None of the islands have docking facilities. For experienced boaters and sailors, this may not be a hindrance. Helicopters or small planes can get you there, but the cost is high and there are few places to land. Small planes can land on both Aguiguan and Pagan, which have remnants of old airstrips from the Japanese Administration of the Marianas.

Development planners working with the Office of Mayor of the Northern Islands say there are tremendous opportunities to be found for investors who are willing to take the time and risk. In addition to ecotourism opportunities, in the Northern Islands there is thermal energy and possibly mining or agriculture. An upcoming Northern Islands summit in planning will discuss communication needs, land use planning, school and health provisions, the establishment of port facilities, seismology, short- and long-term evacuation plan and alternative energy resources for the islands. Additional discussions on the economic development aspects of the islands are focusing on military training opportunities, mining, fishing, farming, scientific research

facilities, the Marianas Trench Marine Monument, long-term lease options, and even the possibility of a free trade zone public land designation.

For former residents who previously lived in the Northern Islands, there's a strong attraction and dream of returning home and living among nature and establishing some type of subsistence employment. To do this, they will need access to some essential government services and the opportunity to establish homesteads. The CNMI Department of Public Lands is reportedly working on the land use plan and homestead parcelling for this purpose.

Ideal locations for nature-based ecolodges

In many ways, Aguiguan Island and the Northern Islands are ideal locations for ecolodge tourism experiences (*see Chapter 3 Ecotourism Niche Market*). In these islands, visitors could enjoy hiking, bird-watching, photography and snorkeling. In the Northern Islands, there are additional opportunities to view volcanoes. Abundant opportunities also exist for fishing and hunting on some of the islands for wild goats, boars (in the Northern Islands), and when in season, a favorite local delicacy – coconut crabs.

Ecolodges and the opportunity to work as boat captains and tour guides in these uninhabited islands could provide additional employment for local residents. A carefully planned multi-year process could make possible the creation of camping facilities and simple accommodations to attract high-end adventure tourists seeking a completely pristine, remote exploration experience. Seasoned world divers could also be drawn to the area because of the proximity to the world-famous Marianas Trench. The islands are also ideal for chaperoned youth group adventures, naturalist photographers, families and couples who are looking for a unique getaway experiences.

Until camping sites and/or ecolodges are developed, limited rights could be granted to a specialty small yacht or ship to anchor at the islands, offering visitors a variety of carefully managed exploration experiences. Alternatively, live-aboard dive boats, popular in other places around the world could be authorized to take divers on approved circuits to see the under-sea wonders as well as some of the exciting volcanic areas with their moonscapes, flora and fauna. In this way the islands could secure a reputation as the “Galapagos of the Far East”. Once successfully launched, the Northern Islands could move on to the more complex ecolodge accommodations phase, ensuring a sound foundation of close oversight and sustainability. A realistic, phased process must be implemented.

Promoting these islands “virtually”

To help in making the Northern Islands more accessible to potential visitors as well as to investors, the Mayor of the Northern Islands in 2011 undertook a project to develop a new website for the islands. The site will be launched in 2012 at www.cnminorthernislands.com. The website will feature photographs of each island, descriptions and scientific information about the volcanoes, and links that will help take visitors on a virtual tour.

When completed, this site should be linked to other CNMI government websites, the Office of the Governor, MVA's www.mymarianas.com site in English and other languages, as well as to the website of the CNMI's U.S. Congressional Representative in Washington D.C.

The 70th Commemoration of the World War II in the Marianas

An opportunity for remembrance and regional cooperation

In both Europe and the Pacific, the year 2014 will be a special year of remembrance in commemoration of the 70th anniversary of major battles of World War II. Some have already begun to prepare for this historic event and there is good reason for this: the interest in military history and tourists visiting famous battle sites has surged around the globe.

In France, more than 20 million people a year visit to see its battlefields, memorial sites, trenches and war cemeteries. In the year 2010 alone, Frances' 155 war museums, memorials and historical sites attracted more than 6 million people.⁹⁸ Even older than these sites, in the United States, many battlefield locations in the Eastern States are receiving record numbers of visitors who are coming to learn more about the American Civil War history in connection with the 150th anniversaries of numerous battles between Union and Confederate soldiers. These sites not only help promote an appreciation of history, but they also bring millions in tourist dollars to their communities.

While the CNMI is not nearly as easy to travel to as some of these locations, the 50th, 60th and 65th commemorations of the World War II battles of Saipan and Tinian were major occasions where the sharing of history increased visitation. The 2011 Exit Survey demonstrated that the largest single location most visitors of all nationalities tour while in the CNMI is the Marpi Area. This is the site of many of the most well-known World War II memorials – namely the Last Command Post, the Korean War Memorial, and the memorials at Banzai and Suicide Cliffs. Tinian also has its own Suicide Cliff Memorial, which has been improved over the years with Japanese and local investment.

Chart 2 of this plan shows in the Northern Marianas arrival figures that American visitor arrivals surged in the mid-1990's around the time of the 50th WWII Commemoration activities. The year 2014 will be another such opportunity to promote and develop more World War II themed tours. Such a commemoration event might also include a week-long anniversary with special visitors from the U.S. and Japan, invasion beach and battlefield re-enactments, visits to war-related tourist sites, and even dedications of new sites.

Potential WWII historical sites for improvement

One logical site for possible improvement is the summit of Mt. Tapachau. The battle for the top of the mountain was significant and especially treacherous in "Operation Forager," the battle for Saipan between the Americans and the Japanese. Already a popular tour for visitors of all nationalities because of its scenic views and picture-taking opportunities, the top of Mt. Tapachau might be a good site for a new, expanded memorial. Commemoration activities would also be good justification for an investment in the repair of the road leading to the top of the mountain so that more visitors could enjoy the beautiful scenic views not only during commemoration activities, but all year-round.

⁹⁸ "France Sees Opportunities in War Tourism Boom," eTN Global Travel Industry News, December 26, 2011.

For the island of Tinian, the 70th Commemoration of WWII would also be a good opportunity to improve memorials, interpretive signage at sites of historic military activities and buildings at the North Field area, and even to create a new Tinian visitor center. For example, such a visitor center could contain a base relief map of the island, providing visitors with more information about the locations and history of the famous North Field runways, with photographs the B29 airplanes, the *Anola Gay* and the atomic bomb pits that were so famous in ending the war and bringing peace with Japan.

While this idea might sound difficult to achieve, recent research conducted in connection with this plan indicates that there still exists a number of B29s in storage areas in the U.S. today. One potential project that could be very significant to the CNMI's historic appreciation and tourism promotional activities would be to acquire and bring one of these retired planes to Tinian for protective viewing inside a new visitor center. Such improvements to the islands' historical offerings could be ideally and strategically timed as visitors are welcomed for the 2014 commemoration events.

Planning and funding potential

A joint committee could be organized to develop the 70th commemoration using interested local residents, historians, military and tourism organizations and other interested parties in the CNMI, the U.S. mainland, and Japan. Additionally, because Guam has the opportunity to commemorate the same 70th WWII anniversary within just a few weeks of the Saipan and Tinian in July of 2014, it would make sense to consider developing a special regional calendar of activities. Joint planning and promotional efforts could help bring opportunities for greater efficiency, sharing of resources and marketing reach.

Given the shortage of government funding in the CNMI, one would naturally question how such improvements to historical sites, other activities and marketing could possibly be achieved, given the substantial investment that a proper 70th WWII Commemoration would require. With the projected growth of the American military base in Guam, there is high interest in the region among military personnel and their families, as well as many other American and Japanese contractors that are hoping to do business in the area. There are numerous military-related organizations, as well as historical non-profits and other non-governmental organizations that could be offered the opportunity to participate. Another source of funding could be through business sponsorships in connection with this important historic anniversary and expanded historical assets. Opportunities for promotion of the commemoration activities could be made through the organizations discussed above, as well as through the Internet, social media and, international media publicity. Finally, grants and other federal resources related to historic preservation should be sought in order to help preserve more of the CNMI's military history sites for the benefit of future generations.

In conclusion, the proposed 70th Commemoration of WWII in the Marianas would provide an opportunity for national pride among the local community and among military personnel in the region. It would also help bring more world recognition and remembrance of all those who made sacrifices for their countries in the Marianas during World War II. Work on this special anniversary should begin at the earliest possible time to ensure it is both successful and appropriate for such an important occasion.

VII. NEXT STEPS & PROPOSED ACTION PLAN

Throughout this volume, many observations, ideas and strategies have been documented at the end of each topic. In discussions with stakeholders, it became clear throughout the course of the study that there are many things the government, the businesses and people of Northern Mariana Islands can do to improve the visitor experience. Providing a valuable and pleasant visitor experience is really what successful tourism is all about. If the visitor experience can be improved and the enabling environment has the right components to nurture and grow businesses, ultimately this can improve the tourism industry's performance in the local economy.

Many of the needed improvements that were identified are in fact beyond the mission, responsibility and means of the MVA. To accomplish the recommended projects within this plan, the MVA and the tourism industry will need to rely on some support from government and community organizations.

For the years 2012 to 2016 which make up the timeframe of this plan, a range of actions are recommended to address the broad objectives of revitalization and growth of the tourism industry. The project team identified 20 potential projects, which are organized as: tourism leadership and marketing actions, economic actions, transportation actions, and product development actions. Some projects are short-term and can be accomplished within the first year, while others may involve significant policy issues and a long-term comprehensive approach.

The project outlines in the following pages re-state the issues to be addressed, timing, possible project leads and affected parties. The project sheets also discuss budget considerations and provide ideas for how the projects may be funded using leveraging of limited resources to the greatest extent possible.

The projects are designed to offer ample opportunities for local creativity and community involvement.

Project	<i>Marianas Tourism Alliance</i>
Issue	The success of revitalization and improvement efforts under the Tourism Master Plan for 2012-2016 depends upon implementation of projects and initiatives by many public and private sector organizations.
Goal	Create an alliance of tourism stakeholders which will take a lead role in implementing projects under the Tourism Master Plan.
Discussion	Following the launch of the 2006-2010 CNMI Tourism Strategic Plan, MVA was responsible for coordinating the implementation projects. However, some of the projects and initiatives went beyond the mission, scope, funding capability and legal responsibility of MVA as a destination marketing organization. For the 2012-2016 Tourism Master Plan to work, it is envisioned that there would be a new ad hoc organization to lead the implementation. This proposed alliance of project leaders would not duplicate the functions of the MVA, but would focus on the action items and projects.
Timing	Immediate need as the Plan is launched and implemented over a 5-year period.
Lead	Office of the Governor
Stakeholders	Assigned project leads assigned under the Tourism Master Plan with MVA in a supporting role.
Financial Implications	Personnel time.

Project	<i>Establish a new Brand Identity to market the Marianas as a multi-island destination</i>
Issue	For many years, the MVA and other tourism marketers have struggled with how to create a distinct brand identity to help capture the interest of tourists of different nationalities. A new "Marianas" logo design featuring a Marianas fruit dove design and possible taglines were developed by a branding team as part of the Tourism Master Plan for 2012-2016.
Goal	Finalize the logo, tagline and determine the best timing to launch a new branding campaign to help create a new image for the islands.
Discussion	The 2006-2010 CNMI Tourism Strategic Plan identified the need for a new brand image. An ad hoc committee was formed by MVA to handle Branding. However, due to funding limitations and other considerations, a new logo and branding concept was not fully executed. The MVA Board of Directors and management will need to consider the right timing to roll out a new logo and how extensively to launch it, especially given the cost for new printed materials and giveaway items. A policy decision by the MVA Board will also need to be made regarding licensing of any new logo and whether or not to charge a fee for its use.
Timing	To be determined by the MVA Board of Directors
Lead	MVA Board of Directors and management
Stakeholders	MVA members
Financial Implications	To be determined by the MVA based on marketing campaigns

Project	<i>Develop a social media strategy & marketing plan</i>
Issue	Many tourist destinations around the world are utilizing social media as a cost-effective marketing tool. The Northern Marianas needs to stay current with new media in order to be competitive in its marketing. The MVA will eventually need to develop in-house capabilities to use social media and other online resources.
Goals	<ol style="list-style-type: none"> 1) Develop a social media strategy, communications plan and spokesperson policy for the MVA. 2) Appoint or hire personnel to create and manage online content. 3) Develop and implement training in the use of social media. 4) Consider whether to develop a destination mobile application ("app") for smartphones to provide information about tourist sites, attractions, safety, etc. in the language of visitors.
Discussion	People of all nationalities are using social media as a way to find information about tourist destinations, to receive information about tourist sites, to share immediate impressions and photos of their vacations, and to stay in touch with people they have met while traveling. The use of social media is a significant marketing opportunity to communicate directly with potential tourists and repeat visitors. Social media can be used to share weather and safety information, information about historical sites and environmental protection, dining, attractions and community events that visitors can join in during their stay in the islands. A number of tourism stakeholders in the islands are already using social media and have expressed a desire to link their online efforts to the MVA (and to one another) for greater reach. People of different nationalities use different forms of social media in their own language; therefore in its social media activities, the MVA must consider the different media companies and languages in rolling out international platforms. Research can be done online as to best practices of other destinations.
Timing	Immediate need. Training and long-term planning will be needed to generate content on an ongoing basis.
Lead	MVA management
Stakeholders	MVA staff, Board of Directors and members, MVA overseas representatives

Financial Implications

MVA would likely need to hire a contractor to help implement a social media strategy and set up social media platforms which could later be updated by staff. Staff training for MVA would have some costs, but could be done online; in some cases training is offered free by the social media companies. There would be a cost to develop and maintain a smartphone application, but it could generate self-funding through sales of advertising. MVA would also need to explore user fees for air time with cell phone service providers so as to avoid excessive roaming charges for tourists. There would be a cost for translations and labor of overseas offices to translate social media content into the language of tourists. Minimal costs for the use of some sites could be recovered at least in part through advertising sales.

Project	<i>Annual "Governor's Tourism Summit"</i>
Issue	The extent to which the government and the community prioritize tourism has an important impact on tourism's success and competitiveness. At the same time, to the CNMI's tourism industry could benefit from an annual forum to communicate issues, review progress of improvement projects, and learn about best practices in other destinations.
Goals	Develop deeper understanding of the needs of tourism by government and community leaders. Provide a forum for information-sharing among all sectors of the tourism industry. Provide an opportunity to learn from subject matter experts. Provide an annual review of statistics and other performance measures of the tourism industry.
Discussion	Annual tourism summits are hosted by Governors of numerous states around the country. This high-level attention from government demonstrates the importance of the industry to the community.
Timing	Yearly
Lead	Office of the Governor and MVA
Stakeholders	Tourism industry, community and government organizations, youth groups
Financial Implications	The summit meeting will likely need to be funded by private sector sponsorships and participant fees. Possible funding support from some government organizations including grants.

Project	<i>Establish stable funding sources for tourism marketing & promotions</i>
Issue	Marketing is a key issue to being a competitive tourist destination. The MVA must continually market the destination in all key source countries as well as with niche markets in order to help create demand among international travelers. As the CNMI government's budget has declined, fewer funds for marketing have been available. The absence of marketing is negatively impacting existing tourism businesses and transportation providers.
Goals	Develop a stable funding source for MVA to market the islands. Designate an adequate budget to promote each island.
Discussion	With the current state of the global economy, governments around the U.S. and the world are struggling to fund destination marketing for tourism purposes. A variety of models and methods of funding are used by state and local governments. Alternatives and best practices for possible consideration are documented in the Tourism Master Plan. The MVA management should evaluate the various options, create projections based on different scenarios for public-private funding, and present recommendations to CNMI policymakers.
Timing	Immediate need. Should be undertaken before the next CNMI government budget cycle.
Lead	MVA management and Board of Directors
Stakeholders	Since the MVA is established by CNMI law, a change to the funding of MVA would require a policy decision by the CNMI Legislature with concurrence of the Governor.
Financial Implications	MVA should present various scenarios to policy makers. Possible financial models for the future may include more private sector funding or a combination of public-private funding.

Project	<i>Create a "Tourism Dashboard" of key performance measures and statistics based on international standards</i>
Issue	The government and tourism industry need reliable tourism statistics in order to forecast trends, revenues and to measure progress. Without certain statistics, it is difficult to develop business plans, anticipate tax revenues, plan for public services, attract new investors and be considered for certain types of federal assistance.
Goal	Re-establish tourism statistics by island and other formal measurements using international standards to better enable ongoing analysis and evaluation of the tourism industry's progress.
Discussion	Various types of tourism statistics were developed and evaluated in connection with the Tourism Master Plan. These measurements should be kept current on a regular basis. Reliable visitor data for Tinian and Rota arrivals does not exist and should be developed. Additionally, there is currently no single source of tourism workforce data. The CNMI may wish to consider the reports of Smith Travel Research and other internationally-known tourism organizations for standard types of measurements.
Timing	Immediate and ongoing
Lead	Department of Commerce with MVA
Stakeholders	CNMI Department of Commerce, Central Statistics Division, MVA, CPA, DOL
Financial Implications	Some potential additional costs of manpower at the Department of Commerce to gather statistics. The CNMI may wish to hire an expert on a one-time basis that is a subject matter expert in tourism statistics.

Project	<i>Establish tour guide quality standards, a certification program and training opportunities for local guides</i>
Issue	Tour quality concerns and pricing issues have been raised by Korean and Chinese visitors, as well as by tourism industry stakeholders. The perception of quality and value by tourists affects their satisfaction with the CNMI as a destination. It also affects the incidence of repeat visits and recommendations they provide for the islands to other potential tourists. With the growth of social media, it is more common for tourists to post their views on the Internet. It is therefore a critical issue for the long-term success of the destination to create standards and provide training to ensure a quality experience. At the same time, more citizens of the CNMI should be encouraged to go into the tour guide profession, which will require the establishment of training opportunities.
Goal	1) Improve quality of the tour experience for visitors. 2) Create a corps of local residents who are qualified to serve as guides for cultural, historic and natural sites, 3) Ensure greater transparency in pricing to avoid "price gouging" of tourists through the use of the MVA websites to post sample itineraries and typical pricing for various types of island tours.
Discussion	Prior efforts to create a mandatory tour guide certification law have not succeeded. This issue should be revisited, but in the absence of such a program, the Northern Marianas should explore other ways to make the program voluntary and prestigious, so it becomes a competitive advantage for tour guide companies. As possible resources, the islands could seek information about best practices from other destinations and/or request support from U.S.-based National Association of Interpretation or other international organizations that specialize in this field.
Timing	1-2 years to establish the right program
Lead	MVA
Stakeholders	MVA, Northern Marianas College, tour agent organizations, CNMI Legislature, Department of Commerce
Financial Implications	Cost to set up training. Consider the use of federal grants for this purpose and/or charge tour guides a nominal fee for their own training costs. Funds may be available through the Workforce Investment Agency and/or U.S. Department of Labor if this program is used to promote citizen hiring.

Project	<i>Tourism Workforce Development Plan</i>
Issue	The Northern Marianas is experiencing a difficult transition due to the recent and ongoing federalization of immigration. Workforce challenges and issues of various types are occurring as private sector employers must deal with new regulations and higher costs in the continued hiring foreign workers. For the long-term benefit of the industry, the community and the economy, more local people must be encouraged to work in the tourism industry. At the same time, many residents may not have all the skills and experience needed to fill all jobs in the industry. A shortage of specialized training in such things as language skills currently exists in the islands. Workforce shortages may occur in the future, especially in light of the current trend in outmigration of citizens.
Goal	Create a comprehensive workforce development plan to address the needs of the tourism industry that will bring together key parties, identify performance measures, specific goals, strategies, resources, and projects to prepare more citizens to work. The long-term goal should be development of a better workforce pipeline to connect citizens to training and jobs in tourism.
Discussion	An industry-specific plan is warranted due to the fact that tourism is the CNMI's leading industry.
Timing	Recommended completion within one year.
Lead	CNMI Workforce Investment Agency
Stakeholders	Society for Human Resources, Workforce Investment Agency, Department of Labor, Hotel Association of the Northern Mariana Islands, Northern Marianas College, Public School System
Financial Implications	Training and other expenses could be developed using federal grants from the U.S. Department of Labor. WIA should also consider the use of grants to fund the planning effort.

Economic Action Plan - Project 9

Project	<i>Create a "Work Ready" certification program to encourage youths to enter the workforce</i>
Issue	The tourism industry needs a continuous pipeline of local citizens who will be prepared to work in hotels, attractions, tour companies and other tourism-related businesses.
Goal	Provide training in work habits, job responsibilities and the rights of employees to high school students as they become eligible to enter the workforce by age 16.
Discussion	For the long-term benefit of the community and the local economy, youths should be encouraged to enter the workforce early, when they are legally able to work. A good example of this type of program is the "Georgia Best" certificate program from the State of Georgia.
Timing	Within 1 year
Lead	CNMI Workforce Agency
Stakeholders	CNMI Department of Labor, Society for Human Resources Management, Workforce Investment Agency, Saipan Chamber of Commerce, Hotel Association of the Northern Mariana Islands, Marianas Tourism Education Council, Public School system and high schools, private schools
Financial Implications	Teaching costs. Actual certificate costs will be minimal. Federal grants may be through the WIA from the U.S. Department of Labor.

Project	<i>Create an investment “toolbox” to attract new tourism investors</i>
Issues	The CNMI needs new investors in order to revitalize and grow tourism. What will it take to attract the right caliber of high quality, savvy investors? The CNMI Qualifying Certificate Law helped encourage several major investments, but has faced criticism over the years for giving away too much in potential tax revenues. Additionally, the CNMI government has several large parcels of public land that can be leased to investors. The lease of these lands at times has been problematic as proposed investors have held onto lands they did not develop. How can the islands be sure they are welcoming the right foreign investors?
Goal	1)Revisit the Qualifying Tax Certificate and its accompanying regulations to ensure that they are competitive and attractive for investors. 2) At the same time, the government has a responsibility to ensure that certificate holders meet performance standards and contribute expected benefits to the islands. Revisit the requirements to be sure they are clearly stated and measureable. 3) The investment programs must be promoted in order to be effective through updated investment guides and website content. 4) Do proper due diligence on investors before public lands are leased.
Discussion	Many destinations have investment incentives for quality tourism developments. The QC program provides a means to compete with other destinations, but adjustments may be needed to ensure that proper performance measures are in place for each investor, that these are tracked and enforced over time. Along with any revisions to the QC law should be marketing efforts to let potential investors know of the incentives. Other types of incentives and business forms should be explored in order to offer flexibility for investors. At the same time, to avoid scams, new projects of foreign investors must be properly evaluated for viability before the government agrees to lease lands. This can be done with the help of overseas U.S. embassies.
Timing	Immediate and ongoing
Lead	Dept. of Commerce
Stakeholders	Office of the Governor, Department of Public Lands, Saipan Chamber of Commerce, Commonwealth Development Authority, Hotel Association of the NMI, Strategic Economic Development Council, CNMI Legislature
Financial Implications	Investment stimulation program. Cost for the development of a new investment guide and updates to CDA and Commerce websites.

Project	<i>Agritourism initiative</i>
Issue	In the <i>2011 Visitor Exit Survey</i> , tourists of different nationalities expressed a high interest in trying local cuisine and in nature-based attractions which go hand-in-hand with promoting local farming. Many visitors are also expressing interest in the Garapan street market, a place where they can try different kinds of food, including locally grown produce. Tourists expect to see local products on the menu in hotels and restaurants. At the same time, local agriculture and aquaculture producers are looking to expand their sales. How can a working relationship between local farmers and the tourism industry be further developed to promote the sale of locally-grown products, as well as various forms of Agritourism?
Goal	Spread the benefits of tourism further into the economy by creating farm-to-table partnerships with the tourism industry. Develop a "forecasting of demand" for locally grown products which would allow hotels and restaurants to better patronize local agriculture and aquaculture industries. Develop various types of promotions for local growing seasons, such as the mango season, Tinian hot peppers, star fruit, guavas, sweet potatoes and other products.
Discussion	Agritourism and culinary tourism is growing in popularity in other destinations. These forms of tourism go hand-in-hand with good health and nature-based tourism. They can also help the local economy due to the fact that there are many small farms and aquaculture producers in the islands. The main hindrance for hotels and restaurants in buying more local products is the need to forecast demand and grow enough products at the right time with the right quality levels. Models for this type of industry partnership can be found in locations like Costa Rica, parts of Europe, and rural parts of the U.S. Research into best practices can be done over the Internet to expand various forms of agritourism and farm-to-table business.
Timing	Medium to long-term project
Lead	CREES or the Farmer's Cooperative
Stakeholders	Farmer's Cooperative, HANMI, MVA
Financial Implications	Creating more commerce between the tourism industry and farmers would help spread economic benefits of tourism further in the community.

Project	<i>Revitalization Task force to address Garapan and other areas of Saipan and Rota which are experiencing commercial decline</i>
Issue	Saipan and Rota have large areas of vacancies due to the closure of many small businesses. Areas such as Garapan, Chalan Kanoa, San Antonio and Songsong Village in Rota are particularly affected. These areas present a negative image to tourists. How can these areas be revitalized?
Goal	Create a set of solutions to address these situations, initially focusing on Garapan as the area most frequented by tourists. 1) raise funds for maintenance in the short-term, 2) provide incentives for business improvements and/or new businesses to move into the area for the long-term, 3) provide low interest small business loans and other financing mechanisms to encourage property and business owners to improve their buildings.
Discussion	1) Consider the formal creation of a special business improvement district where zoning standards would be strictly enforced. Within the district, offer incentives and low-interest loans to fund improvement of facades. As models and for additional program ideas, consider numerous revitalization programs for downtown areas in the U.S.; 2) To raise funds for the maintenance of the Paseo de Marianas, consider a small monthly fee to be charged to the approx. 100 businesses in Garapan to pay for routine maintenance of landscaping, regular power washing and trash pickup in common areas. 3) Create a small business revolving loan fund (RLF) that can assist both foreign and locally-owned businesses in making improvements in selected areas, especially when tied to the creation of jobs for citizens. 4) Develop incentives for new tourism-related businesses to move into the Paseo de Marianas area. 5) In a worst-case scenario, the CNMI government could also consider "condemnation" of certain buildings that create a negative appearance of excessive "blight." 6) Use what is learned from the Garapan revitalization experiences to apply to other areas, including Songsong Village, Rota.
Timing	Immediate need, long term project
Lead	Mayors

Stakeholders	Office of the Governor, Legislature, Mayor of Saipan, Saipan Municipal Council, Garapan merchants. Commonwealth Development Authority, Administration, Banks, Zoning, tourism-related businesses.
Financial Implications	Technical assistance and grant programs are available from several federal agencies. As a starting point, review the National Trust Main Street Center at www.preservationnation.org . Federal grants are available to help with seed money for revolving loan funds and downtown revitalization efforts across America. See USDA, Department of Commerce, as well as the National Trust for Historic Preservation's Main Street Program and approach.

Project	<i>Increase and stabilize international air service</i>
Issue	To be a successful tourist destination, the CNMI requires stable air service schedules and seat capacity that is convenient as well as affordable for visitors. Transportation is an essential, critical element that has had a major detrimental effect on tourism in recent years. The incoming air service capacity must at least match the existing operating hotel capacity to an acceptable level in order to allow hotels, attractions and tourist services to stay in operation.
Goals	1) Achieve daily, direct daytime ("3D") service for the best convenience of international visitors. 2) Stabilize air service capacity to more than 600,000 seats annually. 3) Stabilize adequate air service to Saipan, as well as Tinian and Rota.
Discussion	Stakeholders agree that international air service is the single largest factor affecting the downturn in the CNMI's tourism industry. Therefore, solving the problem of reduced capacity and instability of air service is a key to improving the industry and the economy. The CNMI must continue to engage in discussions with airlines in order to determine how best to attract, support and grow airline service. Discussions should include all types of carriers operating in the region: legacy carriers, low-cost carriers, inter-island services, and a new carrier <i>Saipan Air</i> that will begin operating from the CNMI in 2012. Without marketing to stimulate visitor demand in key markets, the airlines will not likely be successful in the long-term; therefore, continued investment in marketing is another critical factor that must be adequately budgeted by the CNMI through the MVA.
Timing	Immediate and ongoing
Lead	Commonwealth Ports Authority (CPA), CNMI Air Service Committee
Stakeholders	Office of the Governor, CNMI Legislature, airlines serving the CNMI, MVA, hotels and all other tourism businesses

Financial Implications

Various types of support to the airlines have been and will continue to need to be explored, including ways to reduce costs and increase profitability of airlines serving the islands (see Chapter 4), marketing support, investment in essential subsidies, etc. The CNMI government should also explore the need to hire an international air service consultant. Stabilizing service may also require federal government support for essential service and continued development of the airports through the Department of Transportation and Federal Aviation Administration. At some point, the CNMI government may need to consider investment in a flag carrier for the islands in order to help stabilize continuity of essential air service.

Project	<i>Increase inter-island air service between Saipan, Tinian, Rota and Guam</i>
Issue	To be successful tourist destinations, the islands of Tinian and Rota require stable air service schedules and seat capacity that is convenient as well as affordable for visitors. Transportation is an essential, critical element that has had a major detrimental effect on the economies of Tinian and Rota.
Goals	1) Achieve daily, direct daytime ("3D") service for the best convenience of visitors. 2) Stabilize air service capacity and provide adequate marketing to help adequately fill hotel rooms. 3) Reduce inter-island airfares from Saipan and Guam to Tinian and Rota to help encourage more visitation.
Discussion	Tinian and Rota's tourism industries have been severely limited by the cost of air service. This has been a more substantial problem for Rota because it does not have its own carrier, nor does it have a major customer base to subsidize air service. By comparison, Tinian has had the benefit of a major sponsor of transportation, which is the Tinian Dynasty Hotel & Casino. However, the transportation to Tinian depends to a large degree on continued sponsorship by the casino. The cost of inter-island travel is a deterrent for traveling families and businesspeople from Saipan and Guam to visit Rota. Flights to Rota from Guam are considered too costly for many military families, which could provide a substantial market for Rota. The cost, schedules and reliability of inter-island air service also affects business travelers between Guam and the islands of the CNMI. Aircraft maintenance issues have been a consideration that has affected service to Saipan from Guam and to Rota. Direct international air service from Japan to Rota helped to keep Rota's tourism industry afloat in past years, but the cost of the subsidy had to be shouldered by the CNMI government.
Timing	Immediate and ongoing
Lead	Commonwealth Ports Authority (CPA) with the Mayors of Tinian and Rota
Stakeholders	Office of the Governor, CNMI Legislature, airlines serving the CNMI, MVA, hotels and other stakeholders on Tinian and Rota
Financial Implications	Various types of support for the inter-island airlines should be explored, including ways to reduce costs and increase profitability for inter-island routes. The CPA should continue to explore and pursue opportunities for federal government support for essential air service, continued development of the airports on Tinian and Rota, and federal grants. The CNMI government may need to consider subsidies to help stabilize flight service to Rota until time as such service can return to healthy commercial viability. Business incentives may also help inter-island air carriers to expand service.

Transportation Action - Project 15

Project	<i>Task Force for Inter-island Ferry Service</i>
Issue	Since 2009, the CNMI has not had ferry service between Tinian and Saipan. Rota has never had ferry service. Without ferry service, the only alternative to travel to Tinian and Rota is by air.
Goal	Establish reasonably priced ferry service between Saipan, Tinian, Rota and Guam.
Discussion	In the past, ferry service between Saipan and Tinian was provided by the Tinian Dynasty Hotel & Casino. Due to the high cost of operating and maintaining the ferry, the firm ceased service. Without a ferry service, the Tinian and Rota are handicapped in terms of their ability to attract visitors to the islands. The cost of hosting events, such as sporting events which can attract local visitors from Saipan, Guam and Internationally are also greatly affected by the fact that there is no ferry. The small planes that carry visitors inter-island cannot handle some types of cargo. The long-term success of tourism in the islands could be greatly enhanced by having a high-speed car ferry to connect Guam, Rota, Tinian and Saipan. This would not only benefit visitors, but also local residents and businesses of the islands.
Timing	Immediate and ongoing
Lead	Recommend Office of the governor to appoint a Ferry Task Force
Stakeholders	Mayors of Saipan, Tinian and Rota, CNMI Legislature, Commonwealth Ports Authority
Financial Implications	This project is projected to cost in the millions of dollars. To help ensure this project goes forward, it is recommended that the Governor appoint a task force to research and pursue various options: 1) new private investment in a ferry, 2) public-private partnership between the CNMI and private investors, and/or 3) public investment in ferry service with federal subsidies from the U.S. Department of Transportation.

Project	<i>Marpi Historic & Cultural Heritage Park</i>
Issue	The Marpi area of Saipan is a highly-visited “treasure trove” of World War II historical sites and scenic locations which are highly attractive to tourists. Many local residents also use the area for sports and recreation. The area also has a veteran's cemetery and a sanitary landfill; therefore, it receives a high amount of visitor traffic per day. Currently there is not enough government funding to continue the right level of maintenance and security for this large area. How can this area be better secured to keep the historical sites maintained, free of crime and preserved for the enjoyment of future generations?
Goal	Create a CNMI-government controlled state park approach to managing the Marpi area, increasing accountability at tourist sites through a self-funding visitor entrance fee for vehicles entering the area.
Discussion	A formal designation for the area by the CNMI government as a controlled park with a manned entrance could help improve safety, reduce crime and raise needed funds for maintenance and operation of the park. An entrance gate with a uniformed park ranger would monitor vehicles entering the area and create a deterrent for crime. At the same time, the presentation of the area as a government-owned park would reinforce a positive image that this is a quality-controlled area that is highly valued by the community. A small fee could be collected from tourists, who would receive an entrance ticket, a map and interpretive information. A task force would need to evaluate the costs of running the park versus the amount of fees to be charged. It is estimated that the park could self-fund with an entrance fee of only a few dollars per person.
Timing	Expedite due to rising crime and lack of maintenance funds for the area.
Lead	Parks & Recreation
Stakeholders	Parks & Recreation, MVA, Department of Public Lands, Public Safety, Legislature, Historic Preservation Office, private sector users such as tour companies.

Financial Implications	<p>Initial startup costs, but this project could be funded through visitor fee mechanisms. Technical assistance could be sought by the U.S. National Park system. Park entry fee pricing: for example, if \$2 per visitor were charged, this could establish a fund estimated at \$600K - \$700K per annum, which would cover costs and possibly some maintenance of other tourist sites around the islands. The MVA is currently paying for security, while maintenance cost is \$192K annually. A fee for the park entrance would alleviate this burden from MVA's budget, therefore allowing the funds to be reprogrammed for marketing.</p>
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Project	<i>World Heritage status for Tinian House of Taga and Rota's As Nieves latte stone quarry</i>
Issue	The latte stones of the Marianas are evidence of ancient Chamorro culture. They are a valued symbol of the islands and could become more interesting tourist attractions if they had more interpretive information; however, very little is known or promoted to visitors about these sites. There is very little signage and legends and other stories about the site are not available to visitors. How can the CNMI take advantage of this prestigious international program to promote cultural heritage and better preserve these special sites for future generations?
Goal	Establish two UNESCO World Heritage sites
Discussion	To apply for World Heritage status, the CNMI must first submit these sites for U.S. consideration under the nation's membership with UNESCO. It would be necessary to together all historical information on these sites and to review application requirements and selection criteria at http://whc.unesco.org/en/criteria/ . Additional information is detailed in the Tourism Master Plan. Support is available from the National Association for Interpretation at http://www.interpnet.com and the International Council of Monuments and Sites (ICOMOS) at http://www.icomos.org . There is no guarantee of success; however, the sites would qualify based on the criteria. Improvement to these sites would benefit tourism and would help preserve the cultural heritage of the islands.
Timing	Long-term project of up to 5 years or more
Lead	NMI Humanities Council or CNMI Historic Preservation Office
Stakeholders	Office of the Governor, Humanities Council, Historic Preservation, Mayors of Tinian and Rota
Financial Implications	There will likely be some cost to prepare the applications. Some funding may be available through the Humanities Council. Estimated cost could be as much as \$15,000 per site if a consultant is to be hired. Some assistance may be provided by organizations noted in the website addresses above.

Project	<i>Aguiguan Island nature/adventure tourism as a new signature attraction</i>
Issue	In the 2011 Exit Survey, Japanese, Korean and American tourists expressed an interest in more nature attractions. What are some new product opportunities that could be developed to expand the attractions offered on Tinian? How could Aguiguan (Goat) Island be put to use as a visitor attraction?
Goal	Establish the island as a self-funding tourism attraction
Discussion	Aguiguan has interesting features that could be of interest to tourists, including lush jungles, hiking opportunities, some historic sites and camping opportunities. The vision for this project considers developing the island through a concession agreement for several nature-filled experiences: 1) day trip adventures; 2) overnight camping for youth groups and families; 3) overnight ecolodge experiences for couples or families. The ecolodge facilities would be developed according to "green" principles. There are some endangered species of birds on this island, so activities would need to be capacity controlled, which may make this type of tour even more attractive. This new attraction would create local jobs for tour sales, boat trip and on-island guide services. This could also be a test location for similar type attractions in the Northern Islands.
Timing	Long-term, 3-5 years to establish operations after an RFP process
Lead	Mayor of Tinian
Stakeholders	Tinian legislative delegation, Mayor of Tinian, Historic Preservation Office, Fish & Wildlife
Financial Implications	Fund this as a private concession with shared revenues for the government. The private sector concessioner would fund the establishment of the tour and eco-friendly facilities. There would be some expense to prepare the RFP and take potential investors to view the island.

Product Development - Project 19

Project	<i>70th Anniversary Commemoration of World War II in the Marianas</i>
Issue	The 70th anniversary of WWII in 2014 will provide a special reason for people to come to the islands and to remember the significant battle for Saipan and significance of Tinian in ending the war. A series of planned events could once again present a significant opportunity to recognize and commemorate this historical heritage of the islands. It may also be an opportunity to promote the region jointly with Guam, with military organizations and to take the opportunity to make improvements to several historical sites of the war, such as Mt. Tapachau and more sites in Tinian's North Field area.
Goals	Create a week-long commemoration activity that will bring a significant number of visitors to the islands and leverage opportunities to improve or open new WWII historic sites on Saipan and Tinian with funding from non-governmental organizations and federal resources.
Discussion	It is recommended that a Commemoration Committee be established at the earliest possible time in order to ensure adequate preparation. This committee should have local, regional, U.S. and Japan-based counterparts to ensure maximum effectiveness in planning and executing the commemoration activities.
Timing	2-year project. Outreach should begin immediately.
Lead	Recommend a Committee Chairman be appointed by the Governor.
Stakeholders	Numerous organizations within the CNMI, U.S. Department of Defense in the region, federal agencies, military tour organizations, historical organizations in the U.S. and Japan
Financial Implications	A budget would need to be established. Efforts should be made to seek sponsorships and donations from outside sources. A joint effort with Guam could help in reducing costs.

Project	<i>Marianas Trench Marine Monument Visitors Center</i>
Issue	The establishment of the Marianas Trench Marine Monument presents significant opportunities for the islands; however, progress is slow in creating a visitor center as funding was never established by the federal government. How can the Northern Marianas move this project forward?
Goal	Create a significant new visitor center on Saipan with public-private funding support. Use this facility and the Marine Monument as an opportunity to help re-brand the Northern Mariana Islands as the home of the Marianas Trench.
Discussion	This project is stalled in part due to the fact that there is no clear project responsibility or lead in the U.S. federal government or in the CNMI government at this time. It is envisioned that the Governor would request the Department of Interior and NOAA to establish a federal project lead. Seek major private donors and international non-governmental organizations as well as local organization could be solicited for support in the establishment of the visitor center. This project would create local jobs.
Timing	Long-term (5 years or more)
Lead	(TBA)
Stakeholders	Office of the Governor, Congressional Delegate, Friends of the Marine Monument, Fish & Wildlife, various public and private organizations
Financial Implications	Significant funding in the millions of dollars would be required to establish a world-class visitor center. This could be funded via a combination of local and federal funds, grants, and private donations over time. As one recommendation, the CNMI government could provide the land and project management to help begin the process.

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