



TOURISM MASTER PLAN

1996 - 2005



EXECUTIVE SUMMARY

1. INTRODUCTION

This project has been carried out by TRANSTEC in association with BORD FAILTE under technical assistance from the European Union. The work commenced in 1994 and followed a carefully devised approach that involved consultation with both private sector and public sector. A Policy Consultation Workshop in April 1995 set the policy direction for the Tourism Master Plan (1996-2005) that has guided the consultants in their preparation of this report. The underlying thrust of the policy direction is that the Government of Maldives recognises that the development of tourism in the country should be private sector driven, not only because the private sector can identify the market opportunities but because the ability to finance the substantial amounts of capital to develop the industry should come from the private sector. The role of the government should be to facilitate the business environment whereby the private sector can operate efficiently. This approach of positive facilitation is relatively new in the Government but it should pervade all the activities and initiatives in this forthcoming Master Plan period.

2. KEY ISSUES IN DEVELOPING TOURISM IN MALDIVES

Tourists now exceed a quarter of a million in a year, and bedspaces in the 74+ resorts and hotels exceed 10000. The Maldivian population of more than one quarter of a million have seen living standards increase as tourism has grown into a substantial and mature industry. Improvements in living standards have come, either directly through employment and business opportunities, or indirectly through tax payments to the Government which have then been used by the Government for social schemes, such as schools and medical clinics.

The market opportunities continue to open up and this allows Maldivians to think about further growth in this dynamic industry but development is required which should not outstrip the capacity of Maldives' critical inputs, namely

- the beautiful and unspoiled marine island environment;
- the Maldivian workforce and human resources in general;
- the need for capital to invest in resort accommodation and infrastructure.

At the same time the future development of tourism has to be spread amongst a larger number of the Maldivian citizens. This leads to complex judgments about the appropriateness of regional development to be balanced against the need to meet threshold sizes for the viable operation of both infrastructure and accommodation.

Evidence from the markets confirms the strong appeal of the Maldives. A rapid rate of growth in numbers could probably be sustained for some years. But future growth in arrivals should take place only in parallel with initiatives and programmes to overcome a number of constraints, including:-

- Initiatives to motivate Maldivians to enter and work in the tourism industry in order to increase the present size of the trained Maldivian workforce which is inadequate for the needs of the tourism industry. Already expatriate labour is marking up a large proportion of the workforce;
- Initiatives to mobilise domestic capital for investments in the Maldivian tourism industry, as well as initiatives to mobilise foreign capital. In this way capital could be made available more competitively to Maldivian entrepreneurs than under the current informal mechanism;
- continual scientific monitoring of the fragile ecology of the atolls in order to ensure that tourism contributes positively towards the conservation of the environment;
- expanding the airport capacity at Hulule which requires a major construction programme starting within the next ten years;
- encouraging the local construction industry which ideally means that a relatively gradual programme of future development should be pursued;
- initiatives for making services available to the urban population of Male' to alleviate pressures arising from growth in tourism and other activities.

Thus, the Master Plan sees the future development of the tourism industry in Maldives taking place under highly managed conditions whereby a series of programmes and initiatives enables the industry

to continue to grow but also enables it to produce optimum benefits for Maldivians in a manner that is environmentally sustainable.

3. INDICATIVE TARGETS FOR FUTURE GROWTH

The development of the tourism industry has been a tribute to the entrepreneurial spirit of the private sector resort developers in Maldives, and to the imaginative foresight of private tour operators, mostly in Europe. Major private airlines, (charter and scheduled), mostly European, have also played a key part in the development.

Maldives is an outstanding tourist product which has tremendous appeal in all source markets. There is a widespread desire to visit and see these white sand coral islands. Arguably, it has the most outstanding marine tourism environment in the world. As such it can drop a marketing and development strategy which forestalls mass development. The ideal would be to have no further to improve existing facilities and to price up accordingly. In practice it will be necessary to develop further but under highly managed conditions.

Maldives is not so easy to access and consequently it is costly for tourists to reach the destination. When the costs of transfers from airport to resort, plus the inherent costs of running a resort on a coral island, are taken into consideration, it is clear that Maldives can not become a 'cheap' tourist destination. On the contrary Maldives has to become a 'premium' destination, but with a strong focus on its eco-tourism.

The rationale for a managed growth strategy would indicate that resort bed development should be permitted in accord with a rate that is consistent with:

- with enabling a new runway to be in operation by the end of the Master Plan period
- with the capability of the construction industry
- with training that allows the new jobs in the industry to be taken up by Maldivians

This would suggest that a rate of expansion to around 20000 beds in total by the end of the Master Plan period would meet these criteria.

INDICATIVE TARGETS	Year 2005
Visitor Arrivals	650,000
Bednights	5 million
Resort Beds	20,500
Tourist Receipts	US\$ 525 million (1994 prices)
Average Receipts per bednight	US\$ 100 + (1994 prices)

Product Development and Market Opportunities

Diversifying and differentiating markets and products is a key theme of the Master Plan. Product development opportunities exist in:-

- Variations on existing product themes
- Capital and urban overspill concepts
- New pilot and demonstration projects
- Protected areas and visitor management regimes

Market opportunities exist in both source markets and in targeted market segments within source markets. There is an opportunity to change the market mix such that new areas are penetrated, such as East Asia, and that Europe becomes less predominant as a source market. New market segments can be opened up in the 'silver market', families with children segments, and the 'must see' segments. However, whilst opening up new markets, every effort should be made to maintain the loyalty of the traditional markets, including the diving enthusiasts and the European markets.

4. THE FUTURE STRATEGY FOR BALANCED REGIONAL DEVELOPMENT

The realities of the pressures to extend the economic benefits of tourism to more people and more areas within the Maldives has to be recognised. For this reason, the Master Plan aims to introduce a gradual shift in the geographical focus of development and acknowledges that the lead-in time to make an impact will be substantial. Therefore, the Master Plan is structured in such a way that initiatives

aimed at diversifying tourism development away from the central region will run alongside a managed discretionary growth policy in existing and contiguous areas. Balancing the two to achieve the desired and sustainable results will be the policy coordination task that the Ministry of Tourism should undertake.

The Master Plan combined strategy development policy approach has three major components:

- A. Central Region: Consolidation and Up-grading,
- B. The Central Region and Beyond: Expansion into the Nearby Atolls
- C. Regional Expansion: C1 Focus on the Southern Region, And
- C2 Gateways to Equitable Development in other Regions

Under the Master Plan development scenario, this controlled development approach would have the following shape:

- In the existing central region atolls of Malé, and Ari, committed projects already account for an additional 1,000+ new bedspace additions. Take-up of development rights on existing island resorts is considered to be capable of adding a further 1,000. The remainder will be provided by densification of the 'urban core' area. However, some resort islands in the central region should not be densified, in order to retain examples of the typical Maldivian resort in this region, with its powerful image impact;
- In the nearby atolls (north and south expansion areas to the central region), the allocation of 3,500 beds suggests that in the order of 20-30 new resorts should be developed over the next decade;
- For the Southern region it is foreseen that the majority of the 3,000 bed development should be focused on Vilingili Island.
- Development in the more remote atolls through the regional airport growth pole strategy, should be responsible to market forces, and in accord with the guidelines for the maintenance of sustainable environment condition.

Physical development plans have been recommended to be produced as a follow-on task to this Tourism Master Plan to provide the basic framework for future regional development. The proposed pattern of development can be summarised in the table below.

EXISTING AND FUTURE DISTRIBUTION OF RESORT BEDS

<u>Location</u>	<u>Existing Beds</u>	<u>Year 2005 Beds</u>
Central Region (Malé & Ari Atoll)	9,655	12,155
Nearby Atolls (Baa, Lhaviyani, Vaavu etc.)	769	4,269
Southern Region (Seenu and Gaafu Dhaalu)	100	3,100
Other Regions (Airport Growth Poles)	0	1,000
Totals	10,524	20,524

5. REALISING THE TOURISM MASTER PLAN

The role of both the private sector and the public sector was made clear in the Policy Consultation Workshop of April 1995. The Government would create the enabling business environment whilst the private sector would raise the capital and undertake the operation of tourism facilities as well as the operation of tourism-related infrastructure (where appropriate).

The investment programme over the period of the Master Plan is formidable for a small economy and will require both domestic and foreign capital. Probably, three quarters of the capital would have to be foreign. Some US\$ 50 million per year would be required in the period 1996-2000 and some U5\$ 70 million per year in the following five years. Most of this capital would be required for constructing new resorts and refurbishing existing resorts. But also there is a significant need for capital for airport expansion and other infrastructure such as service centres.

Facilitating Investment by the Private Sector

The Master Plan recommends that Maldives should

- mobilise domestic capital by enabling private sector companies to issue securities to investors but with full safeguards for such investors;
- mobilise foreign capital by creating a transparent framework for foreign investors but ensuring a 'level playing field' for local investors;
- monitor and 'fine tune' the conditions for resort leases, based upon a transparent framework for the operation of resorts and involving regular statistical reporting by the resorts;
- easing the burden of direct taxation on the tourism industry.

The private sector should provide the resources for the further development of the industry but the Government has to create the transparent, enabling, business environment that would allow the large sums of capital to be raised and allow the private sector to operate facilities competitively in the global market place.

Strengthening the Institutions

Tourism is now a mature industry in Maldives and much progress has been made in strengthening the Ministry of Tourism and in improving the relationship between the public and private sector. Further measures are needed in order to meet the challenges of growth in tourism. The Master Plan recommends that Maldives should

- restructure the Ministry of Tourism into a policy, planning and regulatory organisation, and divest it of functions such as marketing, and being the lessor of resort islands;
- combine the Ministry of Tourism with the Department of Civil Aviation;
- create a Maldives Tourist Board to undertake the marketing of the destination, under a Board of Directors with a mix of representatives from both the private and public sector;
- create a Tourism Development Finance Institution (Hotel Corporation or Development Corporation) which could access finance, act as the lessor for resorts, and act as a property developer where this might be needed (e.g. in developing Marine Parks);
- cede authority to expert ministries in detailed aspects of resort development and operation.

This institutional strengthening is necessary to ensure that the industry remains competitive.

Developing the human resource and cultural aspects

This is seen as the most crucial aspect in the Tourism Master Plan because the present position is approaching crisis. Already the European Union is assisting the South Asia region with its Integrated Human Resource Development Project along with the newly created Maldives Tourism Training Board. The targets for the Master Plan are as set out in the following table:

<u>Master Plan Targets</u>	<u>Year 2005</u>
New Jobs for Maldivians	8,400
Reduction in Expatriates	Realistic reduction from 96/97
Female participation in Labourforce	25%
Out of total new tourism jobs	2,500 in Southern Region

The main policies and actions that should be pursued to address the human resource problems can be summarized as:-

- A. Change Attitudes To Tourism As A Career Tourism Awareness Programme
- B. Improving Service Quality – “Excellence in Service”
- C. Decentralization: Directing Tourism Towards Centres of Population Other Than Malé
- D. Provide Equal Opportunities and Conditions for Woman
- E. Phased Reduction in Number of Expatriates
- F. Improvement and Enforcement of Contracts of Employment

Harmonising tourism and the environment

Maintaining the quality of the natural environment in Maldives is all-important to the tourism industry. The focus of the effort should be on monitoring what is happening in order to take appropriate action. The general thrust of action should concern:-

- Integrating Tourism with Coastal Resources Management;
- Tourism and Marine Research;
- Developing Protected Areas (e.g. Marine Parks);
- Environmental Public Awareness Programmes;
- Resort Environmental Improvement Measures;
- Resort Infrastructure Standards.

Good progress has been made in the past and this should be continued in the future, but with an enhanced capability for researching and monitoring the situation.

Marketing and Promotion to Achieve the Desired Future

Marketing of the destination should be undertaken by the new Maldives Tourist Board (to be created). The Mission of the Tourist Board with respect to marketing should be as follows:

"The Tourist Board will promote quality growth in the tourism industry in Maldives to foster a well utilised and financially healthy private sector industry. Such an industry can then deliver economic, social and cultural benefits to the people of Maldives whilst at the same time contributing to enhancements in Maldives' unspoiled marine environment to the benefit of tourist customers from all over the world, including Europe."

The key marketing objectives for the tourist board are:-

- to achieve the growth targets set in the Master Plan, especially the targets concerning the revenue yields from tourism;
- to strengthen and focus the image of Maldives in the source markets in order to differentiate Maldives from competitive destinations;.
- to bring about the diversification and differentiation in both the source markets and in the market segments to which Maldives is selling;
- to help initiate the variety of new products which Maldives should develop through the period of the Master Plan;
- to monitor and support the private tourist industry in Maldives in their operations to maintain viable bed occupancy levels, to iron out seasonal fluctuations in visitors, and to improve their achieved revenue yields from tourists and tour operators.

The gradual repositioning of Maldives as a 'premium ecotourism destination' should be the responsibility of the Maldives Tourist Board. Such a repositioning should enable Maldives to achieve an optimum balance between the needs of immediate economic development and the longer term needs of environmental sustainability.

INTRODUCTION

1.1 TERMS OF REFERENCE FOR THE PROJECT

The Terms of Reference (TOR) for this project set out the overall objectives of the assignment as follows:-

- (a) Assess the present situation of tourism in the Maldives and evaluate its economic significance, its costs and benefits.
- (b) Examine existing and planned tourism policies and strategies, covering the political, economic, social, cultural, environmental, institutional and administrative aspects.
- (c) Identify future tourism policy options, and select those that are most desirable or beneficial for the Maldives.
- (d) Formulate a long-term tourism master plan covering the period 1996-2005 and provide the guidelines for its implementation, for the mutual benefit of private economic operators in the tourism sector in the Maldives and the European Community.

This project, which commenced in April 1994, has been carried out by TRANSTEC, a member firm of the Net consult Group, in association with BORD FAILTE, under technical assistance from the European Union. (EU).

1.2 APPROACH TO THE WORK

The approach to the work of preparing the Master Plan has followed the requirements set out in the TOR. A report on the 'Assessment of Existing Conditions in the Tourism Sector' (January 1995) was followed by a report on 'Future Tourism Policy Options' for the Maldives (March 1995). Then, a most important 'Policy Consultation Workshop' took place in Male' in April 1995 at which there was participation by both the private and public sector.

At this workshop the policy direction for the Master Plan was agreed between the private and public sector that would guide the Consultants in their preparation of this Tourism Master Plan.

This Tourism Master Plan has been prepared in two volumes. This first volume is described as the 'Main Report' and it sets out the overall conclusions on the direction of tourism in the Maldives over the next ten years (1996-2005). The second volume, described as 'Implementation Guidelines', gives more detail on the means for realising the Master Plan. In order to avoid repetition, some of the background material has been presented in Appendices in Volume II.

Following this introduction (Chapter 1), this first Volume has been structured in four chapters:

- Chapter Two introduces the key issues and overall implications that have to be taken into consideration in future tourism development in Maldives.
- Chapter Three sets out indicative targets for future growth in the light of market opportunities and product development opportunities.
- Chapter Four presents the strategy for tourism development in the regions of Maldives.
- Chapter Five sets out the initiatives and programmes required for realising the Tourism Master Plan. The initiatives concern:
 - facilitating private sector investments,
 - strengthening the institutions,
 - developing the human resource and cultural aspects,
 - harmonising tourism and the environment, and
 - marketing and promotion of the Maldives as a tourist destination.

This report has been prepared by a multi- disciplinary consulting team comprising the following experts:-

THE CORE TEAM

David McEwen Project Manager, Tourism Strategist & Marketing
John Bowers Tourism Planner

KEY RESEARCHERS

Esmond Devas Macro-economist
Gottfried Hi1z-Ward Socio-cultural expert

KEY SPECIALISTS

Louise J ansen Gender Specialist
Jimmy Veerasamy Lawyer
Andrew Price Marine Ecologist
David Jarrett Civil & Transport Engineer

1.3 ACKNOWLEDGEMENTS

The Consulting Team would like to acknowledge the valuable contribution of individual members of the tourism industry in Maldives, and of their representative organisation, the Maldives Association of Tourism Industry (MATI). Because of their efforts, the Tourism Master Plan has been prepared, in effect, in conjunction with the private sector; with their giving a very strong input into the general thinking which underpins the Master Plan.

In addition the Consultants wish to acknowledge the ongoing and helpful assistance from both the Ministry of Tourism and other Government agencies in Male'.

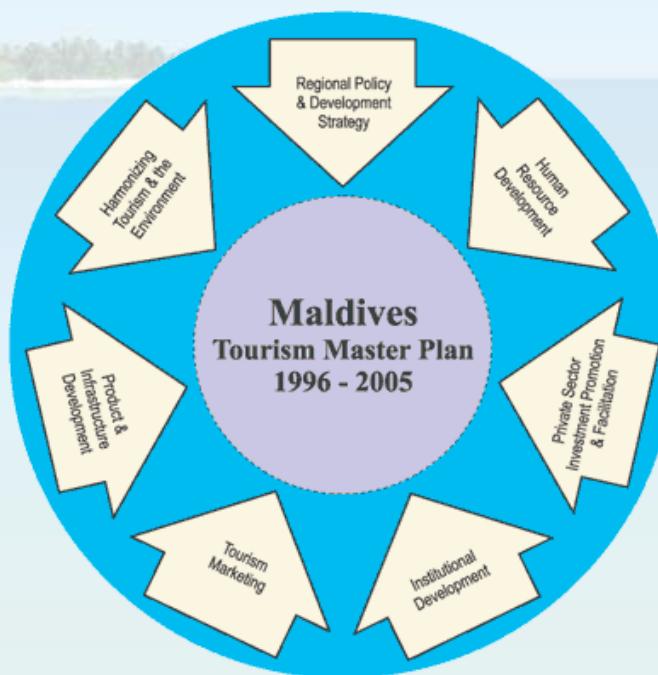
Finally, acknowledgements are due to the European Commission (EC) in Brussels for their overall guidance to the work of the consulting team, which has been much appreciated.

KEY ISSUES IN DEVELOPING TOURISM IN MALDIVES

2.1 KEY ISSUES IN DEVELOPING TOURISM

The market opportunities continue to open up and this allows Maldivians to think about further growth in this dynamic industry. But there are constraints that have to be considered as illustrated in Figure 2.1 below. An introduction to the economic background of Maldives is contained in Appendix 1.1 in Volume II.

Figure 2.1 - The Issues



Further tourism growth has to be seen in the context of:

- Maldivian human resource development, which has to run in parallel with the employment needs of this expanding industry, if Maldivians are to gain maximum benefit from the industry;
- tourism development that is environmentally sustainable in these 1200 ecologically fragile coral islands;
- private sector mobilisation of capital for the substantive development that will be required in the future both for new resorts and for tourism related infrastructure. Both domestic and foreign capital would be required for this purpose;
- government facilitation of the enabling & environment for private sector led investment in the tourism industry;
- the need for decentralised development to spread the benefits of tourism across the regions of the country, and to help ease the increasing growth pressure on Malé;
- the market opportunities that continue to arise for the Maldives, but recognising the ever increasing competition, not only regionally but also worldwide;
- institutional reorganisation and strengthening to improve public sector capabilities and capacities to implement the Master Plan.

Future tourism development in the Maldives can be seen as the engine of economic growth in the country but development is required which should not outstrip the capacity of its critical inputs, namely:

- the beautiful and unspoiled marine island environment
- the Maldivian workforce and human resources in general
- the need for capital to invest in resort accommodation and infrastructure

At the same time the future development of tourism has to be spread amongst a larger number of Maldivian citizens. This leads to complex judgments about the appropriateness of regional development to be balanced against the need to meet threshold sizes for the viable operation of both infrastructure and accommodation.

As in the past so in the future, the development of tourism should be private sector driven, not only because the private sector can recognise the market opportunities but because the ability to finance the substantial amounts of capital to develop the industry should come from the private sector. The role of the Government is to facilitate the business environment whereby the private sector can operate efficiently, mobilising capital and being able to operate the business enterprises cost-effectively.

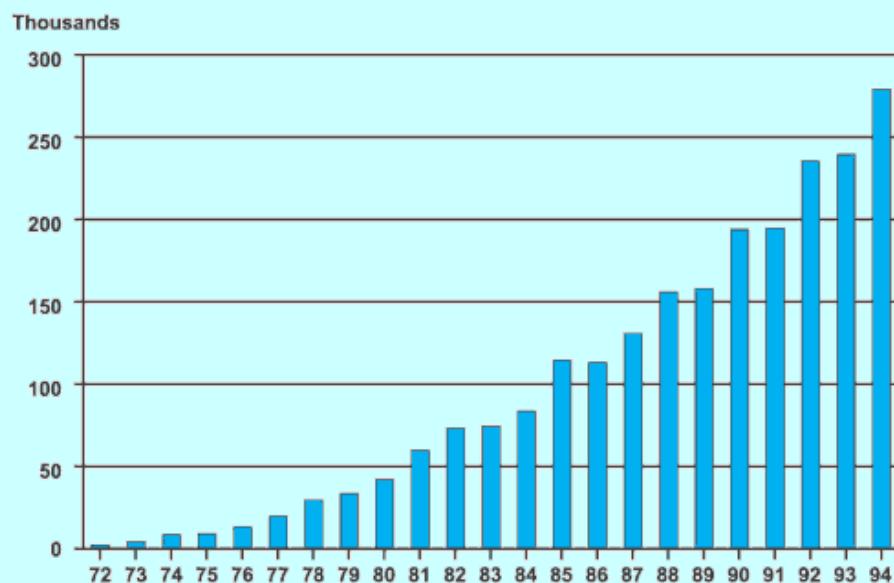
All these factors have had to be considered in the preparation of the Tourism Master Plan.

2.2 INDUSTRY ACHIEVEMENTS AND PERFORMANCE TO DATE

Tourism in Maldives has developed in a remarkably successful manner through the last two decades. Now it is an industry with a quarter of a million arrivals per year and a bed capacity of more than 10000. Whilst Germany and Italy remain the predominant markets, the market mix is relatively broad, and there has been a penetration of new East Asian markets in addition to Japan. Occupancy factors are high and seasonal spread is good.

Maldives is an outstanding tourist product which has tremendous appeal in all source markets. There is a widespread desire to visit and see these white sand coral islands. They are not so easy to access and consequently it is costly for tourists to reach them. When the costs of transfers from airport to resort, plus the inherent costs of running a resort on a coral island, are taken into consideration, it is clear that Maldives can not become a 'cheap' tourist destination. On the contrary Maldives has to become a 'premium' destination, but with a strong focus on its eco-tourism and on the marine environment. Also, it should become known for its 'value for money'.

FIGURE 2.2 – Visitor Arrivals



Arguably, Maldives has the most outstanding marine tourism environment in the world. As such it can adopt a marketing and development strategy which forestalls mass development. The ideal would be to have no further development but rather improve existing facilities and price up accordingly. In practice it will be necessary to develop further but under highly controlled conditions.

The development of the tourism industry has been a tribute to the entrepreneurial spirit of the private sector resort developers in Maldives, and to the imaginative foresight of tour operators, mostly in Europe. Major airlines, (charter and scheduled), have played a key part in the development by bringing in their large, expensive, but highly productive, aircraft into what must be the most unusual airport in the world on Hulule Island.

The industry now makes a major contribution to the economy of the Maldives. It generated US\$ 180 million in foreign exchange earnings in 1994 (MMA), contributed 40% of government revenues in 1993 (bed tax, lease rentals and import duties), and contributed 17.1 % of GDP in 1993 (MPE). Details of the economic value of tourism to Maldives are given in Appendix 1.2 in Volume II.

2.3 THE PARADIGM FOR ADDRESSING THE ISSUES

Tourism in Maldives continues to grow at a rapid pace. New developments in tourist accommodation indicate that capacity to continue this rate of expansion is already committed through to 1997, which is also the 'Visit Maldives' year. The target for 1997 is 350000 arrivals, which is considered to be attainable in view of the current market prospects.

Evidence from the markets confirms the strong appeal of the Maldives. A rapid rate of growth in numbers could probably be sustained for some years. But future growth in arrivals should take place only in parallel with initiatives and programmes to overcome a number of constraints, including:-

- initiatives to motivate Maldivians to enter and work in the tourism industry in order to increase the present size of the trained Maldivian workforce which is inadequate for the needs of the tourism industry. Already expatriate labour is making up a large proportion of the workforce;
- initiatives to mobilise domestic capital for investment in the Maldivian tourism industry, as well as initiatives to mobilise foreign capital. In this way capital could be made available more competitively to Maldivian entrepreneurs than under the current informal mechanisms, mostly through tour operators;
- continual scientific monitoring of the fragile ecology of the atolls in order to ensure that tourism plays a positive role in the conservation of the environment;
- expanding the airport capacity at Hulule which requires a major construction programme starting within the next ten years;
- encouraging the local construction industry which ideally means that a relatively gradual programme of future development should be pursued;
- initiatives for making services available to urban population of Malé so as to alleviate the pressures arising from growth in tourism and other activities.

Future growth for tourism in Maldives needs to be cast within a framework that:

- recognises the reality of the market, and the reality of the development pressures to expand in the regions;
- allows for an efficient alleviation of constraints (local labour force shortages and inadequacies, unattractive conditions of working for the local labour force, lack of domestic capital mobilisation, lack of transparency in foreign capital mobilisation, need for environmental monitoring, requirement for airport expansion, mounting pressures on Male);
- has a rationale that steers tourism development towards an optimum balance between economic benefits and sound environmental management;
- takes into account the socio-cultural issues which are pertinent to Maldives.

In the current market prospects and with the committed capacity, visitor arrivals in Maldives are likely to reach 350,000 to 450,000 by 1997. to continue beyond 1997 with this rate of growth in numbers (15% per annum and more) would exacerbate the constraints mentioned above. In addition, in giving a stronger emphasis to a 'premium eco-positioning' there should be some increase in prices which could achieve higher margins by substituting increased per capita spend for absolute increases in the volume of arrivals. Overall, there is a rationale for a strategy of controlled growth in tourism, which should achieve optimal occupancies and better margins, but this needs to be matched by a considerable effort to ensure good value for customers. Indices for measuring such good value need to be developed to ensure that 'value for money' for customers is maintained and that the loyalty of such customer is retained.

<u>Opportunity/ Constraint</u>	<u>Implications for Policy</u>
Maldivian Staff (Training, Conditions of Employment, etc..)	Whilst expatriate labour could theoretically sustain growth in the industry, the policy in the Master Plan period is to create an environment conducive to mobilising the Maldivian workforce for the industry thus contributing a greater added value to the Maldivian economy.
Capital, Domestic & Foreign	Opportunities should be created for mobilising domestic capital for this industry, and also for foreign capital which should come into the country in a transparent manner, so offering more competitive sources of capital for the industry.
Ecology & Conservation	Increasing local capabilities and capacities to carry out EIAs and to carefully manage the environment should ensure that tourism is a force for environmental conservation during the course of this Master Plan.
Airport Expansion	A new runway at Hulule Airport needs to be operational by the end of the Master Plan period. Whilst the extension of the apron would allow parking

	of 7/8 wide-bodied jets compared with 5 at present, the need to have both a taxiway and runway is already pressing. Apron extension is urgent and could cope with the peaks for the first few years. Planning for expansion should be facilitated
Construction Industry	Tourism can encourage the local construction industry which has shown that it is capable of building around 1000 beds per year so meeting the needs of the tourism industry.
Servicing Malé	Government revenues from tourism can help diminish the pressures on Male', which needs investment in services for the urban population.

The rationale for a controlled growth strategy would indicate that resort bed development should be permitted in accord with a rate that is consistent with:

- enabling a new runway to be in operation by the end of the Master Plan period.
- with the capability of the construction industry
- with training that allows the new jobs in the industry to be taken up by Maldivians.

This would suggest that a rate of expansion of , say, to around 20000 beds in total, by the end of the Master Plan period would meet these criteria. Diversification and differentiation of the product would help to ensure that market demand remains buoyant, and that both market saturation and consumer resistance are not in evidence in this period.

INDICATIVE TARGETS FOR FUTURE GROWTH

3.1 MALDIVES TOURISM PRODUCT IN THE GLOBAL MARKET PLACE

-Spreading the risk and increasing the yield

Building upon its natural asset of the marine environment, Maldives is able to develop in a quite exceptional manner. Through the period of the Master Plan, Maldives will strive to achieve the following:-

- To position Maldives as a "premium" destination in the market place. Capacity, quality and marketing will be tailored to this aim;
- To position Maldives as the ultimate marine eco-tourism destination. Research and interpretation of the marine environment will be developed to support this aim;
- To exploit Maldives' exceptional location so as to achieve a wide market spread, looking not only over the next decade but also through the period of the ensuing decades during which Maldives will see a considerable opening up of market demand opportunities for its product.

Continue to diversify the source markets but ensure that such diversification is consistent with the concept of premium

Through the last two decades Maldives has continually opened up new markets in Europe and Asia, and most recently in South Africa.

The European market remains the mainstay of tourism to Maldives developed by entrepreneurial airlines and tour operators. Europe is likely to remain the main source market even by the end of the Master Plan period.

However, the opening up of even more new markets, where airline services (charter and scheduled) facilitate such new business, should be encouraged because diversity reduces dependency on any particular market areas. Several new markets show considerable promise including Korea, Eastern Europe, India and South East Asia. Several traditional markets could be substantially penetrated if new or additional air services were to develop (for example, Australia)

Diversify the targeted market segments but again ensure that such diversification compatible with the concept of premium

Maldives will continue to appeal to its traditional market segments of the 'enthusiast scuba diver' and the 'get away from it all' holidaymaker (mostly couples). However, the markets are already showing that other market segments have a keen interest in Maldives, in particular

- family groups from higher socio-economic segments (typified by married couple with two children);
- 'must see' visitors, seeing the coral islands as one of the sights of the world (typified by small groups of ladies from Japan, often described as the 'office ladies' market segment).

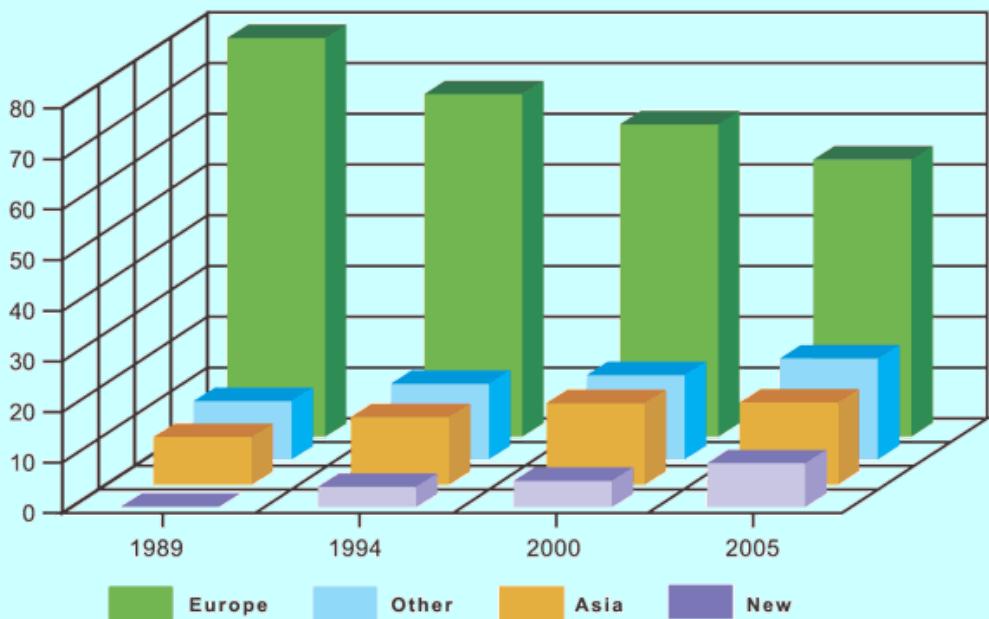
As these segments grow, so product development will be adapted to cater for them (for example, resorts able to handle family groups) (See product development – Chapter Four).

In addition to these new market segments there are other market segments into which Maldives will target future development, notably

- the 'silver' market, 50 years plus and post family;
- the rapidly growing environmentally conscious traveller, eco-tourist niche market, and special interest groups;

The Master Plan should make specific provisions that will ensure visitor and environmental conditions are increasingly appealing to both groups and that products, facilities and service standards are developed to meet their specific needs.

Figure 3.1 The changing Market Mix



Take the opportunity to change the market mix

The opportunity to change the market will exist throughout the period of the Master Plan, so necessitating a careful reorientation of marketing effort towards new markets and towards Asia but at the same time building upon loyalty of the European markets. The changing market mix will allow there to be

- some alleviation of peaking at the airport because flights from the Asian markets will peak in the evening period whilst flights from the European markets peak in the morning period;
- some gain in yields from the markets because the new markets and the Asian markets tend to show slightly higher yields

3.2 MARKET POSITIONING - PREMIUM ECO-DESTINATION

Maldives has established itself as an important destination in the global tourism market place. It has a number of unique natural features which allow it to be positioned strongly as the coral island paradise. Its very uniqueness can justify a premium eco-positioning. But the challenge which will be taken up in the Master Plan period is to match the excellence of the natural assets with the excellence with improvements in the various man-made efforts, notably the services.

It is recognised that a major effort has to be made to improve all the services for tourists so that Maldives can reasonably be presented as a premium eco-destination for which tourists will be happy to pay premium prices for higher-value added services. There is an emphasis on service because Maldives can find and train people to provide services whereas there are limits (financially and ecologically) to what can be achieved with capital inputs. Indeed Maldives will not be able to match competitors in building more capital-intensive luxury facilities, and should not follow such an approach. Its comparative advantages are the natural assets.

Maldives is a destination where economies of scale (small islands) are difficult to achieve and where the provision of many services (for example desalinated water) can not be as cost-effectively provided as in competing destinations. Consequently, to some extent, it is already seen as a premium price destination. In the Master Plan period, the challenge is to ensure that the market place appreciates the quality and value of the Maldivian product.

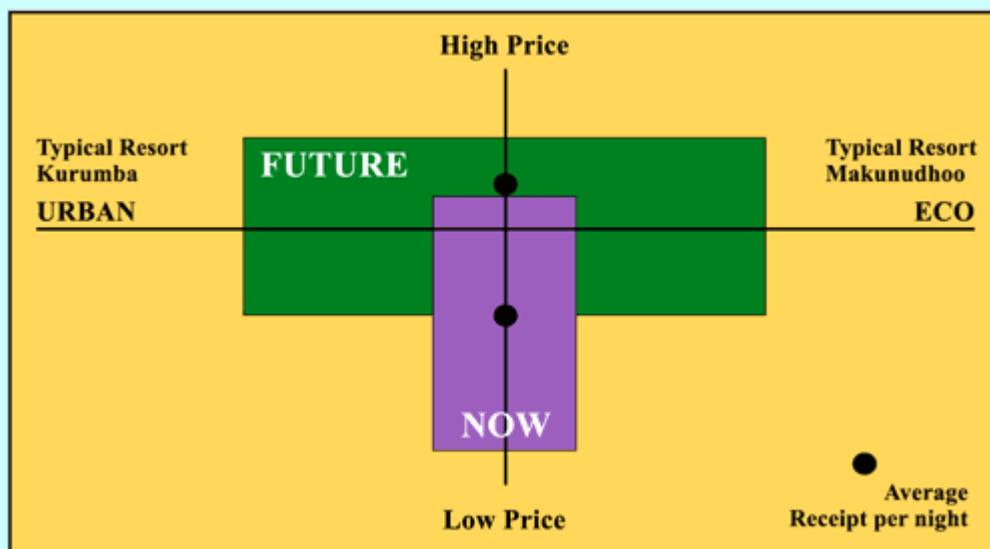
Examples of the shaping of a premium eco- destination are:

- careful targeting towards niche 'Island Paradise Products' (for example, to cater for customers who want peace and quiet and are willing to pay);
- developing higher value and higher margin products with a strong Maldivian tourism flavour (for example, lifestyle, handicraft, marine world and culinary products);
- developing highly personalised services, by adopting a database marketing approach;
- a firm commitment to eco-tourism - top quality research, environmental programmes such as recycling, environmental interpretations, promotion and education.

The adopting of a policy of shifting towards a positioning as a premium eco-destination (which takes time and effort) should be matched by (1) programmes in training and marketing to make this feasible and (2) by environmental programmes. Of course, not every resort will specialize in this manner, there will still be a diversity of resorts catering for a wide range of customers, from low price 'no shoes, no news' through to full priced exclusive resorts. There will still be the diving enthusiasts. So the shift towards a positioning as a premium ecotourism destination will have both a geographical and a time element. It will take time and also some areas within Maldives will be more suited to this positioning than others.

What is intended by the gradual shift in positioning towards a 'premium ecotourism destination' is illustrated in the Product Space Map shown in Figure 3.2 below. It shows an increase in the industry with a shift towards both ecotourism products and urban products but both have the effect of raising the average yield.

Figure 3.2 Maldives Tourism Master Plan – Product Space Map



3.3 PRODUCT DEVELOPMENT OPPORTUNITIES

Strategic Concepts for Existing Product Enhancement and New Development

(Detail of product development opportunities are presented in Appendix 2.1 in Volume II)
3.3 .1 Variations on existing product themes

Visitors attitudes indicate that there is significant scope and demand for product range diversification. A number of product concepts exist which could offer opportunities for diversification in terms of the actual product type or resort style that might be promoted or developed in existing developed areas or new locations in the Maldives:

- Family All -inclusive Resorts A number of all inclusive typical island resorts are already operational (eg. Thudufushi, Kanilinolhu).
- Self Catering Resorts. Under the Master Plan development support should be given to the establishment of self catering operations, but recognising that such operations must be kept at a high quality level to avoid detracting from the premium positioning.
- Excursion Islands - Foreign and Domestic. Opportunities to improve the excursion component of the product are vast and could in parallel yield additional benefits to the host communities of inhabited islands.
- Diving and Water Sports. This could increase substantially as diving technology increasingly allows for first time divers to safely sample the underwater experience.
- Safari Cruises. As a product -luxury safari cruising -would admirably compliment and enhance the Maldives 'premium destination' brand image.
- International Cruise Ship Business. The product and regional development initiatives promoted in the Master Plan could add considerably to the market image of Maldives as a cruise ship destination. In particular the Male' waterfront development plan will give new status to the capital as a port of disembarkation for visitors. Furthermore, with the gradual expansion of tourism into other regions, the Master Plan foresees that the cruise ship business would include visits to atolls other than Malé.

- Fishing. Both reef fishing and big game fishing products have substantial development potential for the established Japanese, Far East and European markets as well as the emerging South African trade. It is recommended that a detailed market study of Cruise and Game Fishing is commissioned to determine the potential to apply government fiscal development incentives.

3.3.2 Capital & urban overspill concepts - MICE business

Given the major economic changes occurring in the Asian market place, the Maldives is geographically well positioned to secure a share of this particularly lucrative market segment within which four main strands can be identified: Meetings, Incentive travel, Conference and Exhibitions (MICE trade). Also, with the ever increasing urbanisation of Male' new bold concepts to manage and take advantage of this growth are being proposed . Consideration should be given to the desirability of increasing permissible densities for resort development within the immediate 'urban' catchment area of Male'.

Hulule and Male' Gateways -Transit and Excursion Functions

Recent improvements to the waterfront at Male' have enhanced its general appearance and safety for visitors making dhoni transfers. However, given the throughput of visitors to Male' and the unique transit/transfer position it has, the need for it to realize its vast visitor attraction potential is an important component for the creation of the total Maldivian product image.

A number of projects are currently either being implemented or at an advance stage of feasibility appraisal and will contribute to this process of gateway up-grading:

- International 4/5 star transfer hotel and shopping complex;
- Male' waterfront airport ferry terminal;
- Main port dredging and improvements to on-shore handling facilities;
- On-going Male' road construction/paving and drainage programme;
- Small craft and dhoni harbour walls and promenade up-grading;
- Marine Research Centre public aquarium;
- Male' waterfront ferry terminal for Vilingili.

Under the auspices of the Master Plan it is proposed that the Ministry of Tourism, (jointly with the Municipality, Ministry of Construction and Public Works - Physical Planning and Construction Section and Male' Housing and Urban Development Board), embark upon the formulation of a Capital Area - Tourism Strategy Plan. It is foreseen, that this project could have a strong "townscape design" approach, provide mandatory and discretionary development guidelines and act as an investment promotion portfolio.

3.3.3 New pilot and demonstration projects

A number of possibilities exist, including:-

- Integrated Community Development Projects. A pilot project could be promoted and as a first step, together with the Atolls Administration, a suitable island should be identified.
- Eco Model Resort. Product development proposals with these characteristics should have a discretionary advantage in the evaluation of bids competing for island lease assignment or re-assignment of development rights. The viability of such a project would have to be established by a private sector entrepreneur.
- Marine Research and Leisure Centres. A site in Addu Atoll has been selected for this purpose. Besides, marine culture programmes and coral reef research, it is proposed that the centre would have the potential to conduct marine environmentally related research for regional studies in the Indian Ocean It is considered that this project provides a major opportunity to broaden the concept for the creation of:

a multidisciplinary Indian Ocean Marine Research Institute, with an oceanarium, aquarium sea-life centre incorporating Small-Island States conference and lecture facilities, eco-museum, public display and interpretative centre featuring large format underwater film projections, Coral Island Formations and Global Warming theme exhibits

As a follow-on to the Master Plan project feasibility study for the complex is recommended.

3.3.4 Protected areas and visitor management regimes

First steps have been taken to identify areas suitable for designation as special protected marine areas. These consist of the identification of 15 dive sites in North and South Malé, Ari, Lhaviyani and Vaavu atolls . It is proposed that the sites should be protected from all types of fishing (particularly shark fishing but with the exception of traditional bait fishing), anchoring, coral or sand mining and waste disposal at sea.

Once the areas have been properly surveyed, boundaries defined and officially designated as protected marine areas by the MPHRE, it is proposed that a priority area should be selected, eg. Fish Head in Ari Atoll and/ or Lions Head in North Malé Atoll or Vaavu, for development as a Marine Park. This would involve working out a visitor management regime and effective cost recovery mechanism to make management of the area sustainable and possibly contribute to an environmental protection fund.

3.3.5 New potentials in new areas

The island resources that compose the atolls adjacent to Male' and Ari Atolls are the traditional patch reefs and faros islands that typify the market image of the Maldives. In the southern region island configurations are different. Addu Atoll has a number of interlinked land masses and large isolated islands. Huvadhoo Atoll is distinguished by a chain of large islands composing the outer atoll reef, with sparse but clustered faros island formations on the inside of the atoll lagoon.

Larger island land masses and linked island concepts provide opportunities for the integrated development of large tourism estates managed by a development corporation and offering a more diverse range of accommodation choices and activities to the visitor. Concepts that interlink islands could create Florida quays type products incorporating holiday homes and timeshare schemes as well as resort facilities.

Continuing on from the Master Plan, it is proposed that Regional Tourism Action Plans are formulated for the priority target areas. These would establish outline development guidelines, illustrate concepts and be used to promote new investment for the activation of new products in new areas.

3.4 INDICATIVE TARGETS

Suitable targets for the growth of tourism by the end of the Master Plan period would be as shown in Table 3.1 and Figures 3.3. to 3.5.

<u>Year 2005 - Indicative Targets</u>	
Visitors Arrival	650,000
Bednights	5 million
Resort Beds	20,500
Tourism Receipts	USD 525 million (1994 prices)
Average Receipts	USD 100 (1994 prices)

Figure 3.3 Visitors Arrivals

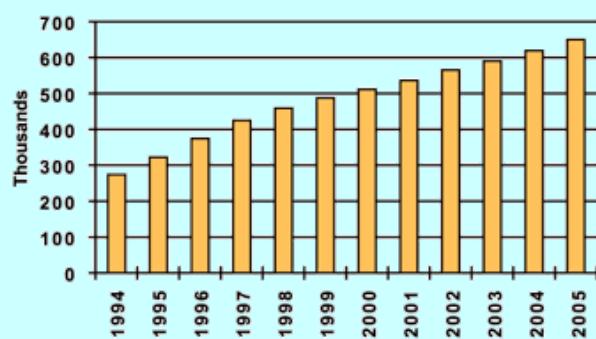


Figure 3.4 Growth in bednights

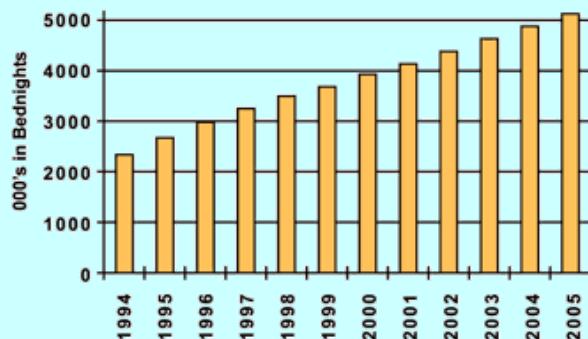
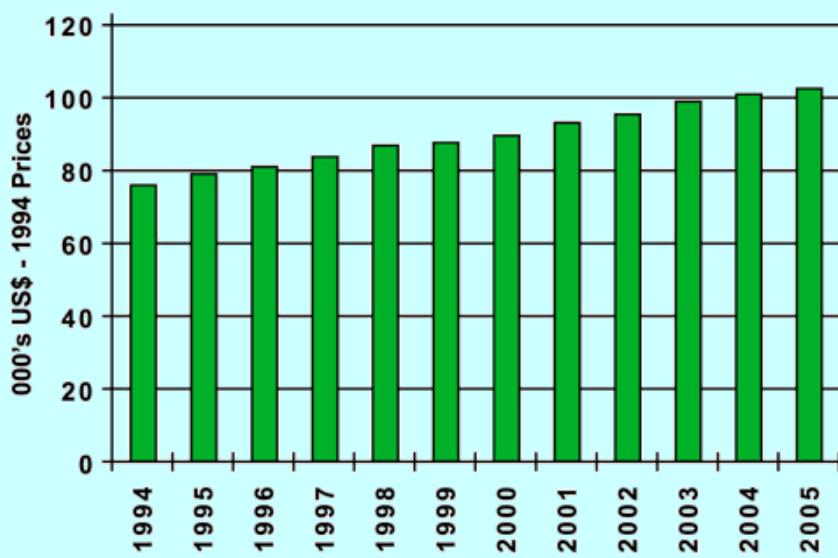


Figure 3.5 Target receipts per bednight



Variations from the targets could occur if there is a shortfall in the market situation. An upward variation could occur if more bedspace were to be released and market demand remains strong. Too many bedspaces would result in lower occupancy factors and lower yields in terms of rates in the resorts and receipts per bednight. A controlled growth strategy, as has occurred in the past, should keep the industry viable and produce the highest levels of Government revenue.

THE FUTURE STRATEGY FOR BALANCED REGIONAL DEVELOPMENT

**Development Concentration and Population Migration
versus
Balanced Growth and Regional Development**

4.1 INTRODUCTION

The Maldives presents a complex challenge for regional development policy makers. With its' extensive geographical territory and highly fragmented land mass, problems of economies of scale for the supply of essential community facilities and services are formidable. On the other hand, it is blessed with a unique and fragile resource base of 1,200 spectacular coral island formations each set in a hinterland of, what might be described as, an idyllic aquamarine parkland. It is the interface between these two facets that raises the crucial question of how this resource base can be best exploited for the benefit of the nation as a whole.

In proposing a response, it is impossible to isolate 'tourism' as an independent sector of development, since several activities compete for and, can potentially benefit from the utilisation of the same resources. The strategic choice is not easy and trade-offs will have to be made. However, in the case of the Maldives, tourism has over the last decade been the principal engine of the national economy and, as such, deserves prime consideration.

It is with this understanding that the Master Plan regional development strategy has been composed. Both formulators and policy makers have been acutely aware of inter-sector relationships and the potential that tourism can offer as a catalyst to more general regional development and, have recognised the importance of tourism continuing to play its major role in the national economy. It is the synthesis of these often opposing forces into a balanced regional development strategy that is the hallmark of this Master Plan.

4.2 EXISTING TOURISM DEVELOPMENT PATTERNS

Impacts and Potentials

During the first decade (1972-82) of tourism, development took place according to individual private sector initiatives in locations that offered operational advantages principally related to the access opportunities provided by Hulule Airport. This essentially informal development successfully generated almost 3,500 bedspaces of international quality and market demand that maintained high occupancy levels.

In 1983 the first formal initiative to determine the future course of tourism was launched in the form of a long-range (10 years) tourism development plan. At this time, the Government – being acutely aware that tourism revenues were increasingly important to sustain broader community and industrial development priorities – determined that tourism spatial development policy should facilitate easy and rapid expansion of the industry without having to rely on Government making tourism related infrastructure investment. In consequence and distinct from the plan, a pragmatic solution was adopted to direct new development into Ari Atoll as a natural extension to the established Malé Atoll development zone.

Distribution of Tourism Resorts (See Figure 4.1)

Figure 4.1 Distribution of Tourism Resorts

[ZOOM IN](#)

[NORMAL](#)

With the introduction of Ari Atoll, development during the second decade continued at a significantly higher rate than had been achieved between 1972-82, resulting in over 9,000 bedspaces by 1993 with Ari Atoll accounting for 25%.

By the end of 1995 it is estimated that the total number of resort bedspaces will be approaching 11,000 and that the central region atoll of Male' and Ari will account for over 90% of these. With the

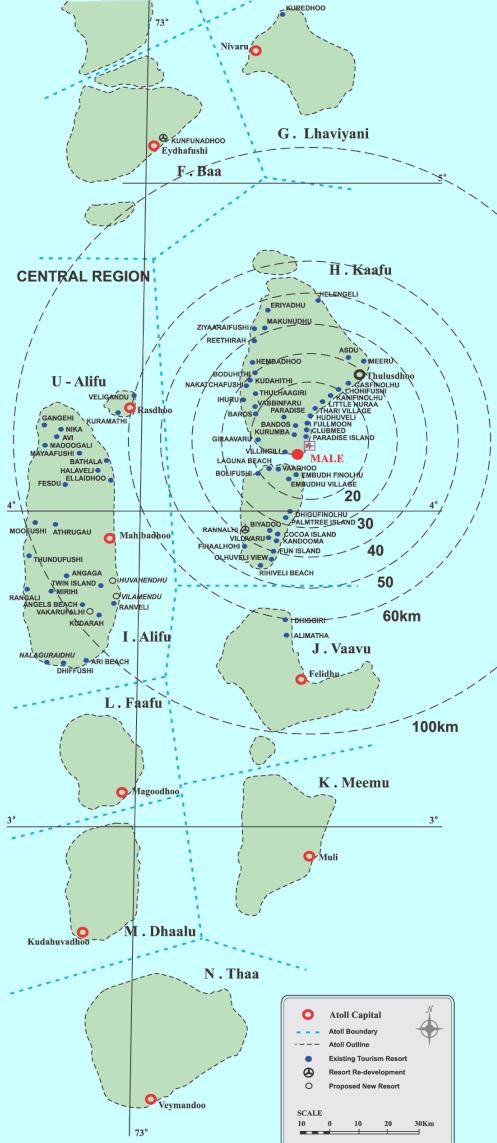
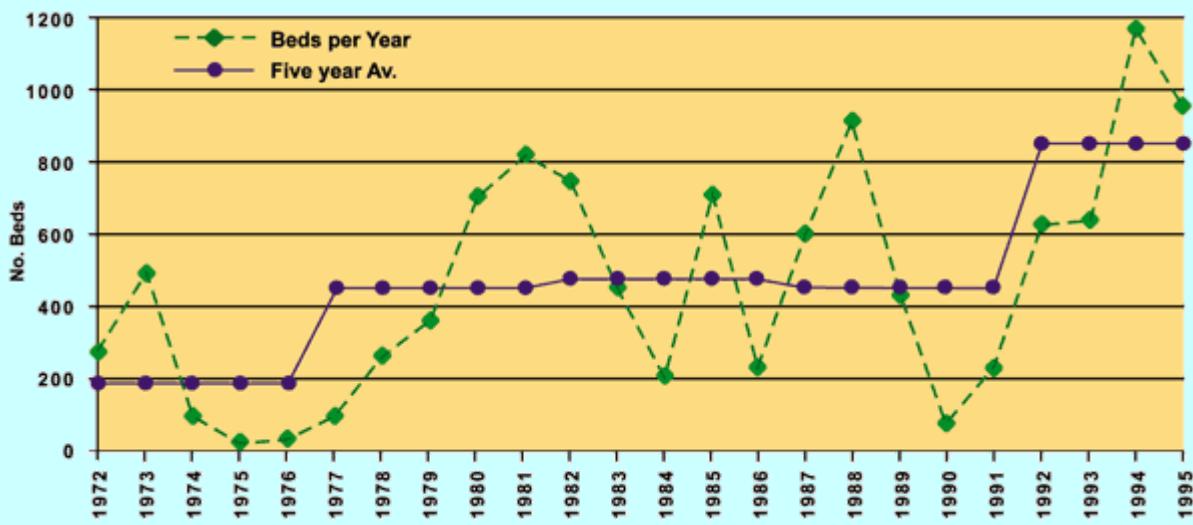


Figure 4.2 Annual Growth in Bedspace Supply



Matching this growth in supply of beds, year-on-year growth of arrivals over the 23 year history of industry has averaged over 16%. The high take-off growth rates of the 70's and 80's – averaging almost 32% per year – have leveled out to just under 15% overall for the 80's and 90's. Year end arrival figures for growth, 1993-94 stood at 17.4% and indications for the first quarter of 95 are that a 14-15% figure will be achieved. Occupancy factors in the resorts continue to remain high at 67% bed occupancy in 1994.

This high performance profile and seemingly instable demand, suggests that the realization insatiable demand, suggests that the realization of the Maldives future growth potential relies, simply, upon continuing to attract investment for the creation of new resorts and supporting infrastructure. Thereby, ensuring that there is adequate accommodation and facilities available to take advantage of untapped market demand,

completion of developments currently underway in South Ari Atoll its share will increase t almost 35% by the end of 1995.

The greatest concentration of resorts occurs within a 1b kilometer radius of Hulule Airport and the capital Male'. Within this catchment area, which corresponds to a maximum dhoni travel time of one hour, approximately 3,000 bedspaces (nearly 30% of the total) can be reached. If the full permissible development capacities of the existing resorts of the central region atolls of Male' and Ari were utilised, it is estimated that about 2,000 additional bedspaces could be created.

Overall the historical rate of bed additions has fluctuated markedly. But, strikingly, Ministry of Tourism 1993-95 development supply statistics demonstrate that the past decade's performance has been exceeded. In the last 4 years they have peaked, almost doubling the annual average rate achieved in the previous 15 years. (See Figure 4.2).

however, continuation of past growth patterns without planning would not be all good news for the following reasons:-

- Problems created from Malé's explosive 7-8% population growth rate can to substantial degree be attributed to inward migratory effects related to the concern of tourism development in the central region. Further increased inward migratory pressures on Malé need to be gradually diverted to prevent unmanageable urban environmental stress, ameliorate regional disparities and increase social cohesion.
- Continued growth centred on Malé and Hulule Airport would not enable 'tourism' to be directly instrumental in meeting National Development Plan objectives of decentralisation and decreasing regional inequalities. These could only be addressed, as now, by siphoning off tourism sector revenues in favour of other sectors and for the benefit of other regions.
- The consequences for the planning of air transportation are particularly important:
 - On-going up-grading programmes will improve the currently inadequate organizational systems and improve its public image.
 - Major short to medium-term public investments to increase the airport's apron (together with better landing slot agreements), will increase handling capacity by about 60% and 100% respectively.
 - Even after these major public investments to raise and maintain operational and safety standards to acceptable levels, growth forecasts indicate that by the end of the Master Plan time frame the extra capacity created will be fully absorbed.

In preparation for further growth and to create conditions that enable tourism to continue to play an increasing contributory role in the future Maldives' economy:-

the Master Plan aims to introduce a gradual shift in the geographical focus of development and acknowledges that the lead-in time for this to make its impact will be substantial

4.3 THE FUTURE STRATEGY FOR BALANCED GROWTH

Reformation of Tourism

Past development planning in the Maldives has been pragmatically dominated by economic forces. This has resulted in a centralised mode of development focused around the capital city Male'.

The concept of atoll development, to improve the quality of life in the islands of other regions, has been evolving since its first introduction in 1978. Since this time, the relatively scarce resources available for regional development have been widely dispersed in a laudable attempt to counter the centralised pull of development. Yet, the critical mass of development that produces the economies of scale advantages, essential if local economies are to generate sustainable conditions, have not been generated.

Despite these efforts the population of Malé has continued to increase, doubling between 1975 and 1995. If the present rates of growth (7% per annum) prevail it will future double over the timeframe of this Master Plan. At which stage a number of emerging socio-economic problems could severely worsen.

In the past the redistribution of tourism revenues has been the only mechanism for the sector to indirectly play a role in regional development. Today, as a well established industry of the national economy, it is in a position to take a more principal and direct role. To this end, the Master Plan has a prime objective of gradually harnessing tourism for the implementation of a more effectively focused decentralised growth strategy. Three principal arguments underpin this development philosophy:

- Without positive intervention to direct and manage the spatial development of tourism on the course that is desired, present development trends will continue to concentrate in the central region and impose pressures that could irrevocably destabilise both social and environmental conditions.
- Only by taking a stance that balances a policy of 'taking tourism to the people' with one that 'takes people to tourism' will it be possible to support regional economic development and avoid creating distortions in the labour market whilst at the same time not damaging the existing structure of the industry.
- The adoption of a one dimensional geo-spatial development policy could overtly polarize future development patterns, disappoint the private sector, disenchant the visitor market and ultimately defer or worsen today's emerging problems for the next decade. Whereas a multi-dimensional, combination strategic policy option, has the inherent flexibility to enable tourism development to be incrementally directed along the trajectory that will achieve the very long-term desired vision of the future.

A strategy based on these principles is considered to be socially desired, environmentally attractive and will, in the longer-term, produce more employment opportunities and better delivery of services.

Though decentralisation is set as the Master Plan's future development trajectory for tourism, it is recognised that the momentum of existing development in the central region must not be curtailed artificially for the following reasons:

- The industry and the national economy would be exposed to too great a risk of creating a major downturn in the sector's performance if the market response falls short of forecasts. This would, almost certainly, have long-term deleterious effects on the image and future prospects for the industry.
- It is critical for the foreseeable future to seek to optimize the performance of the tourism investments already committed to the central atolls region and make the new government lease contracts tenable. To some extent this will involve continuation of growth in one form or another.

Therefore, the Master Plan should be structured in such a way that initiatives and policies aimed at diversifying tourism development away from the central region should run alongside a managed, discretionary growth policy in existing and contiguous areas. Balancing the two to achieve the desired and sustainable results should be the policy coordination task that the Ministry of Tourism should undertake. Within this perspective the Tourism Master Plan:

combines a number of strategic alternatives into an integrated development policy so effectively supporting key and often opposing development objectives namely:

- Priority national development objectives aimed at alleviating regional economic disparities.
- Effectively reconciling other central region development concerns that have their roots in the history of the sector's evolution, such as the socio-cultural aspects;
- Sustaining revenue receipts during the period of geographical reformation.

The Master Plan combined strategy development policy approach has 3 major components:

- A. Central Region
Consolidation and Up-grading,
- B. The Central Region and Beyond
Expansion into the Nearby Atolls
- C. Regional Expansion
C1 Focus on the Southern Region
and
C2 Gateways to Equitable Development in other Regions

A. CENTRAL REGION

Consolidation and Up-grading.

To sustain and improve economic benefits within the existing focal development areas of Malé and Ari Atolls, specific forms of development should be encouraged:

- Intensification development – the take-up of latent potential in the central atolls to absorb, say, 50-60% of total unrealised capacity (1,000-1,200 bedspaces) during the next 10 years.
- Consolidation and up-grading of existing tourism plant and services in accordance with the objective of achieving premium destination status.

Discretionary preferences should also be given by the Ministry of Tourism to proposals that help to diversify the product base in-line with the premium destination concept. Such projects may be exemplified by the:

- Evolution of new generic variants derived from the existing, standard resort model; for example: urban products, all-inclusive family islands and self-catering options.
- Launching of integrated community demonstration projects and excursion 'host community' development programmes.
- Development of prototype model resorts in the form of, for example: ecological, marine and lifestyle based projects.

Besides the quality improvements that could be created through the promotion of this strategic component it is estimated that in aggregate - through the application of selective managed growth policies -an additional capacity of between 2,000 to 2,500 bed spaces could be created over the planning period.

Some of the major benefits that could result from the implementation of this strategic component are:

- In the short to medium term it could stimulate visitor arrival demand levels commensurate with the capital investments committed to up-grading of Hulule Airport.
- It could encourage product development to move up-market to secure a higher per visitor yield to compensate for the inherent restriction on new volume expansion.
- It could increase the importance of Male' as a destination in its own right, justifying public sector urban waterfront improvements and giving the private sector confidence to invest in the development of major new visitor transit and excursion facilities and attractions.

B. THE CENTRAL REGION AND BEYOND

Expansion into the Nearby Atolls.

Geographically this strategic component formally extends tourism development out from Malé and Ari Atolls, into the 150 kilometre radii catchment zone of Hulule Airport, to encompass the atolls of Baa and Lhaviyani as the northern extension, and Vaavu, Meemu and Faafu making-up the southern extension.

For this strategic component three distinct milestone development stages should be prescribed:

- In the short-term promote limited accretion development into the nearby atolls of: Raa, Baa, Lhaviyani, Faafu and Vaavu within prescribed limits and according to the mandatory 1:3 uninhabited island environmental conservation rule. Five or six resort islands could be released.
- In the short to medium-term promote the development of a regional short transit and medium-haul airport facility in Raa Atoll at, say, Fainu.
- In the medium to long-term, assuming the successful development of Raa Atoll's regional airport - release, according to a carefully phased development programme balanced against other regional initiatives, substantial uninhabited island resources for tourism and related development.

The incorporation of 'accretion growth' as part of the integrated strategy was done to introduce a number of distinct advantages:

- Expansion into the nearby atolls constitutes an attractive companion strategy to central region consolidation and up-grading. Since, increased concentration of development in the central atoll region is, in the longer-term, unlikely to be complementary with sustaining the traditionally remote 'paradise island' product, it is foreseen that:
 - the core of the central atoll resorts could increasingly cater for the shorter stay, high activity, island hopping and the incentive/ business add-on markets, resulting in new product models and;
 - the central region's outer rim and new accretion growth zone, would take-over the traditional high quality 'paradise island' product supply role, (i.e. premium destination).
- The distance from Hulule Airport to adjacent atolls' island resources, makes the long-term viability of this strategy component reliant upon the provision of comfortable, safe and convenient transit travel. Therefore, the creation of conditions conducive to the successful operation of transit companies is paramount. Given that currently they run on marginal volumes and competition is acute, the commitment to an accretion growth strategy by government would give a boost of confidence to operators and possibly result in a rationalisation of the current transit situation.
- In the longer-term it is foreseen that a regional airstrip would need to be developed in Raa Atoll. With this in place - via existing modes of transit -the accessible island resource potential created would be almost the equal to that of Huvadhu, the most well endowed atoll of the Maldives, meaning that within a 100 km catchment area 6,000 bedspaces could be created (assuming existing development control limits and applying the 1:3 environmental conservative rule).

This reserve supply potential gives the overall integrated strategy a dimension which makes it resilient against the market failure of development initiatives in other more remote atolls. By increasing accretion development, any threats of rapid downturn in revenues due to market failure could be avoided. Of course, utilisation of this failsafe mechanism would involve having to tackle other major constraints and accept difficult trade-offs. But, with good management and foresight these are not insurmountable.

- Resort developments have for sometime been operational in Baa, Lhaviyani and Vaavu atolls. Therefore, promoting this accretion strategy, with a view to attracting substantial private sector

investment in support of these major transport infrastructure provisions is considered a viable proposition.

Within the context of a managed growth, it is considered that the accretion and central consolidation growth components should generate an additional 6,000 bedspaces over the Master Plan period -the equivalent to more than the annual average increase in rooms sustained jointly by Male' and Ari atolls over the fifteen year period spanning 1977 to 1991.

Inevitably, growth of this order would impose considerably increased development pressure on Male' and impact generally on the central region as a whole. In preparation for this eventuality the Master Plan calls for a well planned and co-ordinated series of implementation programmes (ref: Vol.II Implementation Guidelines) that aim, as far as possible, at pre-emptying any negative impacts.

C. REGIONAL EXPANSION

Focus on the Southern Region and Gateways to Equitable Development in other Regions

The Master Plan recognises that to activate the second generation of major regional tourism growth elsewhere in the archipelago that will, at the same time, be supportive to wider, more general regional development objectives, requires:

- Firstly – the identification of areas that have particular locational attributes:
 - Uninhabited island land resources of a suitable size, configuration with good beach, reef and water conditions and in adequate numbers to support substantial long-term regional development.
 - Uninhabited island resources that offer either of the following development start-up and economy of scale advantages:
 - o In aggregate have a capacity to carry a critical mass of development (circa: 2-3,000 beds); sufficient to economically support the establishment and on-going operation of a regional, medium- haul airport facility. And, also, lie within a traditional dhoni's one hour transit service area; therefore, in the short-term, negating the need to rely on high capital cost transit modes.
 - o As a single large island land mass or composed of linked islands, provide similar potentials as above, with the added advantage of potentially being able to also distribute infrastructure, facility and operational capital and recurrent costs amongst a number of contiguous developments.
 - Relatively good provision of higher level community facilities and communications systems.
 - Population concentrations within the likely zone of influence of tourism development as an indication of the potential to build local economic supply and employment linkages.
 - Population concentrations and characteristics as indicators of the relative need to correct labour and demographic imbalances.
- Secondly, in the short to medium-term, more efficient and convenient transit and regional transport links to convey both tourist and necessary supplies from the main international entry points at Male' port and Hulule Airport to the newly developed tourism area(s).
- Ultimately – the development of another international airport.

On the basis of the above criteria and development rationale, it is concluded that the principal regional development component of the Master Plan's integrated strategy should be geographically focused in two ways:

- On the southern most atoll of Addu as the growth pole to the southern region.
- On existing regional airstrips as growth poles to local areas.

C1 Focus on the southern region

The principal regional decentralisation initiative should be centred on Addu (Seenu) Atoll through the release and promotion of the 50+ hectare Vilingili Island for tourism resort development.

On a land resource of this scale, 1,250 to 1,500 beds could be developed with densities limited to those prevailing on existing resort islands in Ari and Male' atolls. Given the characteristics of the locality, the overriding need to maximize job creation and to rapidly establishing a critical mass of development to economically support airport operations, a doubling of the density limit to 50 beds per hectare is advocated. On maturity such development is likely to create a total of about 3,000 direct and indirect permanent jobs, bring in 25,000 visitors per year with a yield of US\$ 20 million in foreign revenues.

Complementary development promotion could also be given to a series of infrastructure and small to medium scale tourism projects in Fedu, Marudu, Hankada, Abuhera and Hittadu peninsula and support for the pioneer Reef Club operation on Gan.

In the short to medium-term, the proposed large scale, concentrated tourism development on Vilingili Island combined with major regional port/harbour and communications improvement programmes could economically justify the up-grading of Gan Airport to a fully operational medium-haul regional airport.

With the mid-term success of Vilingili island development, the focus of promotion could shift towards opening up the long-term regional development of Huvadhoo Atoll through:-

- the planned release of substantial uninhabited islands for resort and related development;
- consolidation of strong public sector commitment to promote private sector up- grading of Gan Airport to a fully operational international gateway facility;
- incentives to attract investments into the provision of reliable and efficient transit operations between Gan and Huvadhoo Atoll, including the up-grading of the Kadehdhoo airstrip to regional status.

Since wide bodied, long-haul jets are viewed to be the ultimate long-term market horizon, no location other than Gan, has the attributes that would warrant giving consideration to the creation of a completely new international gateway airport on the grounds of tourism.

Under this scenario Gan would be the development catalyst and communications hub of the southern region, with regional feeder services from Hulule and local spoke transit links to complementary key resort development in Gaaf Dhaalu, and later Gaaf Alifu, Atolls.

This 'southern focus' component is the regional fulcrum of the Master Plans integrated spatial development strategy and has a number of distinct advantages:

- It complies with the key NDP objective to decentralise economic development growth to regions other than the central atolls.
- Successful diversion of tourism development away from the central atoll region would slow down, and could possibly reverse, the inward migration to Male' and thereby reduce the future urban growth stresses exerted on the capital. This effect is likely to have greater impact if development is focused on the southern region, since a major proportion of the existing tourism industry's labour force has its origins in Addu Atoll.
- By reducing reliance on development in the central region the rate of impact accumulation would decrease, allowing time for the gradual and effective introduction of environmental management measures and procedures to prevent any irreversible negative effects from occurring.

C2 Focus on gateways to equitable development in other Regions.

A more geographically liberal strategic concept could be pursued in parallel as a companion to the focused southern regional strategy, the major characteristics of which are:

- The release of suitable uninhabited islands for development within close proximity (20 kilometres) of all the regional airports. Therefore, this applies to Laamu and Haa Dhaalu Atolls as well as Raa and Gaaf Dhaalu which fall under other specific strategy programme components. Market demand forces should be the yardstick to determine the most desirable growth pole locations and where the additional tourism development should occur.
- No tourism development should be permitted, other than on specifically selected uninhabited islands that lie within 20 kilometres of a regional airports. For the development of these selected islands it should be obligatory that both facility and service standards are representative of the industry as a whole.
- No public sector incentives, promotion or pre-release of uninhabited islands resources should be undertaken.
 - Development applications should be assessed by merit on a case by case basis.

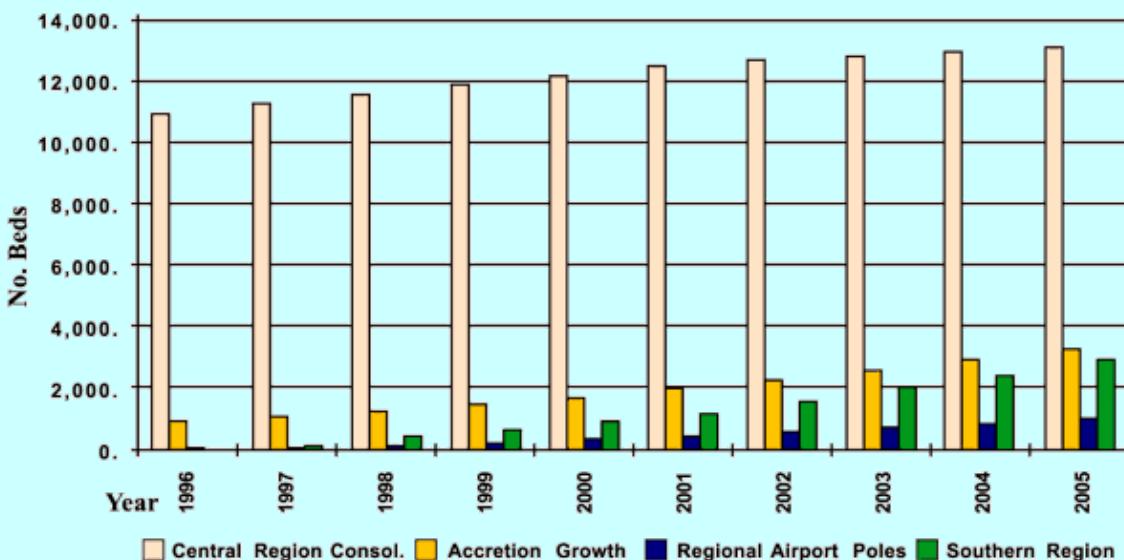
"Development take-up in these areas will have the lowest priority in-terms of managing the balance of regional development - until such time that a second international gateway may be established"

Table 4.1 Existing and Future Distribution of Resort Beds

<u>Location</u>	<u>Existing</u>	<u>%Total</u>	<u>New Additions</u>	<u>Yr. 2005 Totals</u>	<u>%Total</u>
-----------------	-----------------	---------------	----------------------	------------------------	---------------

Central Region (Malé & Ari Atoll)	9,655	92 %	2,500	12,155	59 %
Nearby Atolls Accretion Growth)	769	7 %	3,500	4,269	21 %
Southern Region on (Seenu and Gaafu Dhaalu)	100	1 %	3,000	3,100	15 %
Other Regions (airport Growth Poles)	0	0 %	1,000	1,000	5 %
Totals	10,524	100 %	10,000	20,524	100 %

Figure 4.3 Next Decade -Build up in Bedspace



4.3.1 Existing and Future Distribution of Resort Beds

Together the three growth components of the Master Plan would facilitate an annual compound growth rate in arrivals of 8% over the next decade. It is predicted that the actual bedspaces available in the Maldives will have reached almost 20,500 and in the order of 650,000 visitors will be accommodated in the year 2005, staying on average 7 to 8 days and maintaining bed occupancy levels at above 60%.

The distribution of development by this time will have shifted considerably as displayed below in Table 4.1 and Figure 4.3:

4.4 DEVELOPMENT CONTROL AND REGIONAL BALANCE

The principal Master Plan objective is to gradually diversify development away from the Central Region, with a view to ultimately creating agglomeration effects that induce a self-sustaining cycle of development. It is understood that this ambition would only be realised through the integrated efforts of all line Ministries involved in the process of land use development.

Without specific planned interventions, market forces alone would not harness the current forces and redirect them in time before 'demand' starts signalling dissatisfaction. By which time, sector services and infrastructure may be over stressed, and community and environmental impacts perceived negatively, so creating alienation and long-term opposition for the sector to play its full economic role for the nation.

Fortunately, the Government of Maldives have been foresighted enough to embark on a course to pre-empt any such negative eventualities from occurring. The Economic value of the sector, its relationship to society values and community development, and the inextricable interdependence on the maintenance of a sound environment are all inherent in the foundation of this Master Plan.

To this end, the MPHRE and Ministry of Tourism are committed to the concept that through integrated sector planning, tourism should be in a position to play a direct role in activating the desired regional development. A number of initiatives should be undertaken:

- Local priority area structure plans should differentiate single and/ or island groups, or even atolls for tourism as well as other development uses with a view to ensuring that effective social infrastructure and transport economies of scale are created and that land use and environmental conflicts are avoided.
- Regional incentives should be made available to promote specific geographical and product development priorities.
- Pro-active marketing and promotion to attract inward investment to specific locations and products should be undertaken jointly by Ministry of Trade and Industries and the Ministry of Tourism.
- Careful monitoring and forecasting of market demand and supply dynamics including: source market conditions, room stock utilisation levels, resort and hotel project development programmes, infrastructure developments and capacity thresholds, environmental and social indicators, should give the Ministry of Tourism the strategic information necessary to guide release of uninhabited island resources for new development, and permissions re-development or densification of existing islands, in such a way that regional development priorities are incented without jeopardising the performance of the industry overall.

Under the Master Plan development scenario, described previously, this controlled development approach would have the following shape:

- In the existing central region atolls of Malé and Ari, committed projects already account for an additional 1,000 + new bedspace additions. Take-up of development rights on existing island resorts is considered to be capable of adding a further 1,000. The remainder should be provided by densification of the 'urban core' area. In order to maintain the Maldives image, some islands should not be densified (e.g. islands such as Cocoa Island).

This scenario does not exclude that pilot and prototype projects should be encouraged in the central region. On the contrary they should be encouraged but, in supply terms should be targeted on the conversion or adaption of existing resorts where appropriate.

- In the nearby atolls (north and south expansion areas to the central region), the allocation of 3,500 beds suggests that in the order of 30 new resorts should be developed over the next decade. At an average of 2-3 per year, this would entail the identification of about 10 -15 hectares of uninhabited island land resources per year. Furthermore, abiding by the 1:3 environmental conservation rule, an additional 6-9 protected uninhabited islands per year would need to be designated.
- For the southern region it is foreseen that the majority of the 3,000 bed development should be focused on Vilingili Island, with smaller additions being created along the inhabited island chains of Feydhoo, Maradhoo, Hankada, Abuhera, Hithadhoo and the consolidation of Ocean Reef Club on Gan.
- Development in the more remote atolls through the regional airport growth pole strategy, should be responsive to market forces. Ideally, this should result in an equitable distribution between the centroids on Gaafu Dhaalu, Haa Dhaalu, Laamu and the new proposal on Baa. Each would benefit from the development of about 4 smaller resorts, each having a capacity of about 60 beds. Therefore, applying the 1:3 environmental conservation rule, 16 uninhabited islands within a 20 kilometre radius of each regional landing strip would need to be identified for potential development.

Physical development plans have been recommended to be produced as a follow-on task to this Tourism Master Plan to provide the basic framework for future regional development (ref: Vol.II Implementation Guidelines).

REALISING THE TOURISM MASTER PLAN

5.1 THE ROLES OF THE PUBLIC AND PRIVATE SECTOR

5.1.1 Role of the Government

The Policy Consultation Workshop in April 1995 clearly set out the role which the public sector should adopt in realising the Tourism Master Plan. The statement was as follows:-

"The Government will be concerned with facilitating the enabling environment for investment by the private sector in tourism amenities and in tourism-related infrastructure.

The Government of Maldives will maintain its policy of providing an attractive operating environment for entrepreneurs in this dynamic industry. A more transparent framework should also benefit the international private sector."

Table 5.1 Tourism Investment Programme

Item	1996 - 2000 USD million	2001 - 2005 USD million
Resort Development Private	200 to 250	250 to 300
Infrastructure Development Private Gan Airport (international) Raa Airport Others (e.g. service centre)	28 - 20	- 20 20
Public Hulule Airport	10	36
Total	say 60	say 100
OVERALL	250 - 300	350 - 400

The Government of Maldives should enhance the business environment to induce continued private sector investment in resort up-grading and new product developments, in air and sea transfer services, in ground handling, in travel and tour operations, and in the other facilities required by tourists including shopping, diving, water sports, restaurants etc. In addition, the Government should facilitate private investment in key items of infrastructure, where this is feasible, including airports, airstrips, helipads and service centres.

5.1.2 The Investment Programme

The overall scale of investment in tourism in the course of the Master Plan period is substantial, averaging US\$ 50 million per year in the next five years, and US\$ 70 million through the second five years, as shown in Table 5.1. Mobilising this capital is a major task. The responsibility for mobilising most of this capital rests with the private sector – Maldivian and foreign, indeed the international private sector investment community.

5.2 FACILITATING PRIVATE SECTOR INVESTMENT

The Master Plan envisages continuing growth in the provision of tourist resorts and other facilities. The need for capital finance for these new resorts and other facilities is considerable. In addition there is a need for continual upgrading and refurbishment of existing resorts which also will require financing. Estimates of the amount of money involved indicate that some US\$ 40-45 million of capital per year on average would be required in the period 1996-2000. In the following five years 2000-2005 the average would be about US\$ 55-60 million. These sums of money are very large compared with the sums that were required to initiate tourism in Maldives.

Whilst the banking system in Maldives has supported tourism expansion, and the entrepreneurs in the past have secured informal finance from overseas, it is clear that future expansion has to take place within a more formalised and transparent framework for financing capital projects.

It is now urgent that measures be taken to enable Maldivians to invest in securities of Maldivian resort companies. The necessary legislation should be introduced that allows the following:-

- private sector companies to issue securities to investors;
- safeguards for investors, such as standards for prospectuses that seek investors in securities;
- proper disclosure and auditing of the company's accounts on an annual basis;
- the introduction of responsibilities and standards for directors of companies issuing securities to the public.

A market should be established where the securities of such companies can be bought and sold, without the need for the approval of the Ministry of Trade and Industries.

Mobilise foreign capital but such capital should come to Maldives in a formal and transparent manner

The growth in the tourism industry through the next ten years will require foreign capital. Probably, three quarters of the capital would need to come from foreign sources because even with the mobilisation of domestic capital, it is still insufficient to meet the requirements of this substantial industry. The Master Plan envisages that this foreign capital should come to projects in a transparent manner. Foreign companies need to be secure in the knowledge that they can invest in the tourism industry in Maldives, and that they can sell their investment at a fair market price without onerous restrictions or undue vexation. The Government should establish the enabling environment to allow this to happen. Foreign capital is needed and it should be able to come to Maldives without an excessive risk premium.

However, it is necessary that there should be a 'level playing field' for Maldivian and foreign entrepreneurs, so that each party can access capital on equal terms. The Ministry of Tourism should ensure that such parity of treatment exists, especially in the early years of the Master Plan - especially in those early years, whilst the domestic capital is being mobilised, whilst international credit ratings are being sought, and whilst the creation of a Tourism Development Finance Institution (Hotels Development Corporation) is being undertaken.

Much progress has been made with the leases for resorts

The Government has kept the lease conditions for resorts under continual review, and has made a number of improvements to these conditions, after consultation with the industry and with other parties. It should carry on doing so. It is essential that the lease rentals, even though entered into voluntarily by the private sector, do not become a burden to the industry.

But investigating the economic situation of tourism requires that there should be

- a high degree of financial transparency with regard to the operation and finances of resorts (as occurs in other countries);
- regular statistics on the operation of resorts so that an up to date position can be monitored.

With statistics, transparency and proper economic research and investigations, the opportunity arises for the Government to fine tune measures that can improve the overall performance of the industry and its contribution to the economic well being of the country. Measures should be introduced to ensure that such statistics can be collected on a regular basis.

Private sector investment in resorts should be facilitated

The aim of the Master Plan is to see continuing growth in tourism, allied with some diversification in the products. In particular an emphasis on eco-tourism should be encouraged. For this purpose, and to meet various other purposes such as the encouragement of regional development, the Master Plan sees that the criteria for selecting different bids for new islands should not be restricted solely to the level of the financial offer. That is to say, the highest bidder need not necessarily be the winning bidder. A more complex set of criteria should be used.

Key improvements to the operating environment could be considered, in terms of

- considering the changing of the conditions in the bidding for resort island leases whereby owners who lose their lease are recompensed by the winning bidder for the capital value in the buildings and equipment on the resort island;
- ensuring that leases are easily transferable so that their capital value can act as a security for loan capital.

The Maldives has maintained an attractive operating environment for entrepreneurs in this dynamic industry and should carry on doing so.

Private sector investment in tourism-related infrastructure should be facilitated

In common with many other countries, Maldives is now looking to see the private sector mobilise the capital and operate infrastructure facilities in a regulated framework. The main candidates for such an operation, known as Build-Operate-Transfer (BOT), would be the airports, airport services, service centres for the atolls, helipads etc. Relatively few infrastructure investments are likely to be involved and each one would have to be negotiated on an adhoc basis, but it is an approach that should be encouraged.

Taxation

The tourism industry makes a major contribution to Government Revenue, (through bed tax, import duties, and lease rentals). The level of these taxes is relatively high. The Master Plan envisages that the burden of these particular direct taxes on the industry should not be increased because the means of taxation in Maldives over the next decade is likely to be broadened – possibly with Value Added Tax, possibly with taxes on corporate profits. The need for such direct taxes on the tourism industry should ease through the Master Plan period. Nonetheless, it is expected that contributions from the bed tax and lease rentals will exceed US\$ 50 million per year as early as the year 2003.

Whilst the burden on direct taxation should not be increased in the period of the Master Plan, there may be scope for considering some very simple “banding” of the bed tax which at present is a flat US\$ 6 per bednight. There may be scope for a lower level for inexpensive accommodation and a higher level for more expensive tourist accommodation. The bed tax could possibly be seen as a “Green/ecology tax” payable by tourists in return for enjoying the exceptional environment of the Maldives.

5.3 STRENGTHENING THE INSTITUTIONS

5.3.1 Current Position

The Ministry of Tourism has led the marketing and development of the Maldives from a little known specialist diving destination to a sophisticated, internationally recognised, resort destination of the 1990's. It has done this in co-operation with the private sector who have developed not only their resorts but also a wide range of marketing, management and promotional skills which have contributed to development. The government has incurred significant costs in the initial development of infrastructure, training, etc.

The next 10 years will be critical to the future of Maldives. The future direction for tourism is being agreed between the public and private sector now. New markets are developing, standards are rising rapidly, and it is becoming more difficult to obtain appropriately trained staff. The direction recognises that tourism cannot continue to grow by simply increasing numbers. It must be planned and structured to ensure that the delicate unique attractions of the Maldives are preserved and enhanced, and that the investment needed for future development must come from investors, and less from government who must devote scarce resources mainly towards the health and education of the population.

The Ministry of Tourism has been very successful. However, as a government ministry it is limited in the way it may carry out its functions, and it cannot operate as a commercial enterprise, in partnership with the private sector. The structures which were appropriate at the initial development phase, are unlikely to be appropriate to the year 2000 and beyond. New structures are required. Government is committed to greater partnership with, and participation of the private sector in the future planning, development, marketing, and human resource development.

5.3.2 Policies and actions required

New Structures

Government should design structures which should maximise the economic benefit of tourism to the Maldives, by best use of scarce resources. This could involve designing structures which will allow flexible expert response to the rapid changes that are taking place in tourism, by amalgamating the strengths of the public and private sector.

The Ministry of Tourism should design, exercise, and administer this framework for planning, marketing, control, and development in full consultation and partnership with the private sector.

Ministry of Tourism

The new role and functions of the Ministry of Tourism should be to:

- Formulate and agree tourism policy within government and communicate it.
- Lead the various government bodies, and the private sector as a team towards achieving the Government objectives, and to put in place a range of facilitation, controls and incentives needed to ensure success of the programme.
- Prioritise functions, eliminate duplication, discard duties which can be successfully assigned elsewhere, and use the resources released to concentrate on the new priorities.
- Develop co-operation and participation between the public and private sector.
- Involve the private sector directly in the marketing, recruitment, and training functions. Most development must come through the private sector, within guidelines and controls administered by the Ministry of Tourism.
- Provide the resources and specialised training necessary to implement the changes.
- Protect the environment, the cornerstone of Maldives tourism.

Combine the Ministry of Tourism with the Department of Civil Aviation.

The Ministry currently has a large number of distinct functions. They are:

- Legal and regulatory.
- Planning and development
- Marketing and promotion of Tourism Human resource development and training
- Statistics
- Nasandhura Palace.

Under the new structure the Ministry should:

- dispose of the Nasandhura Palace hotel,
- devolve the marketing research function to a new Tourist Board,
- devolve the training function to the recently formed Training Board,
- combine the Department of Civil Aviation within the structure to integrate tourism access and internal air transport into the industry sector. The vast majority of business coming through the airport using air transport is tourism generated. Facilities, their size, and location have been developed mainly to cater for tourism. The integration of the primary access point, and internal air transport with tourism is logical. It allows clearer identification of the infrastructure costs and benefits of tourism to the Maldives.

Create a new Maldives Tourist Board (MTB).

The government should devolve the marketing functions consisting of the present marketing and statistics departments of the Ministry, to a new Tourist Board, under the control of a board of directors representing the public and private sector. Such a partnership is essential to avoid wasteful duplication, and to balance the need to promote Maldives as a destination, with the need to promote regions and resorts. The Board should implement government policy as set by the Minister of Tourism.

MTB should be a separate entity with its own staff, budget, and priorities. Its activities should be focused on policy implementation. The Board of directors, (who should be appointed by the Minister, in consultation with the Tourism advisory council), should be representative of all the sectors of the industry with the Minister as the first Chairman. Representation could include:

Resort owners
Airline representative
Shipping representative
Ministry of Tourism representative
Planning Ministry

It should publicly account annually for its activities. It could be funded by the Ministry, and by private sector fees.

The functions of MTB would be as follows:-

- Market and promote the Maldives as a premium eco-tourism destination.
- Maximise foreign exchange earnings from tourism.

- Implement government policy in the area of marketing, to ensure integration of the public and private sector activities in this vital area.
- Implement an agreed marketing strategy by targeting the right markets, by putting the right offers in place, organising media coverage, and familiarisation visits from both media and travel trade, in collaboration with the industry.
- Identify and agree target markets, and produce annually an integrated marketing plan, with an equitable division of funding. Monitor implementation.
- Work with the training board and with the industry to create 10,500 new jobs.

The primary purpose of MTB should be to maximise tourism numbers and revenue to the benefit of the Maldivian economy. Statistics and market research will be used to plan the future marketing approach. Statistics also have supplementary functions, revenue collection, historic information etc. but placing it as part of the marketing function stresses the primary aim- to apply a scientific approach to market research, and marketing.

The Maldives Tourism Training Board (MTTB)

This new board has recently been formed to collaborate on the European Union's South Asia Integrated Human Resource Development Project which will develop regional training standards, organise training, and work with the MTTB to provide levels of training comparable to other major tourism destinations in the region. It should be responsible for recruitment, basic, and advanced training for Maldivians, and to gradually replace expatriate labour with Maldivians.

It should recruit and organise, through the Institute of Hotel and Catering Services and other institutions, training to ensure that more of the wealth generated by tourism is retained in the Maldives.

It should organise and develop an awareness programme to communicate the advantages of Tourism to the Maldives economy, and to persuade Maldivians of the advantages of employment and participation in Tourism. It should implement the policy of gradually replacing expatriates with skilled Maldivians by organising recruitment and training. It should relaunch an itinerant training programme in the resorts. It should collaborate with the responsible ministries to improve conditions of employment in resorts, including improved living conditions, rationalisation of the pay structure to ensure Maldivians receive equal pay for equal work compared with their expatriate colleagues.

Expert services of other Ministries and Departments

The Ministry uses the services of other expert Ministries on and advisory basis, but does not cede to them the right to veto operation of resorts. As part of the process of streamlining decision making, and making maximum use of scarce resources the Ministry of Tourism should cede authority to expert ministries and authorities control over subjects within their jurisdiction.

It could require receipt of appropriate certification from these bodies prior to granting extensions of, or renewals of resort leases and licences. Temporary certificates may be issued where final details which do not affect the safety of the customer or staff, are outstanding, for short periods.

The following are examples of the certification which could be required:-

- Fire safety certificate,
- Food Hygiene certificate,
- Planning permission,
- Environmental clearance,
- Electrical safety certificate.

Tourism Development Finance Institution.

There is a strong case for establishing a new financial institution, such as a Hotel Development Corporation or Tourism Development Corporation, which would be able to access international long-term institutional finance. Such a corporation could also act as the lessor to resorts, as well as undertaking property investments in resorts and other tourist facilities, and indeed facilitating development where this is necessary. Such a corporation would be an enabler for development by the private sector. It would not operate any facilities itself. It would focus on financial and property functions. In the Master Plan it is recommended that feasibility studies for the establishment of such a corporation should be carried out.

Such a corporation could also offer its own shares to the public so that more Maldivians can participate in the industry.

MATI was created to represent the private sector in discussions with Government. It has developed well and has significantly contributed to the planning and evolution of tourism. It is professionally organised and staffed.

It does need to widen its representative base to include the transport operators, tourist shops, incoming tour operators etc., to ensure that its voice is that of the entire industry rather than that of a sector.

5.4 DEVELOPING THE HUMAN RESOURCE AND CULTURAL ASPECTS

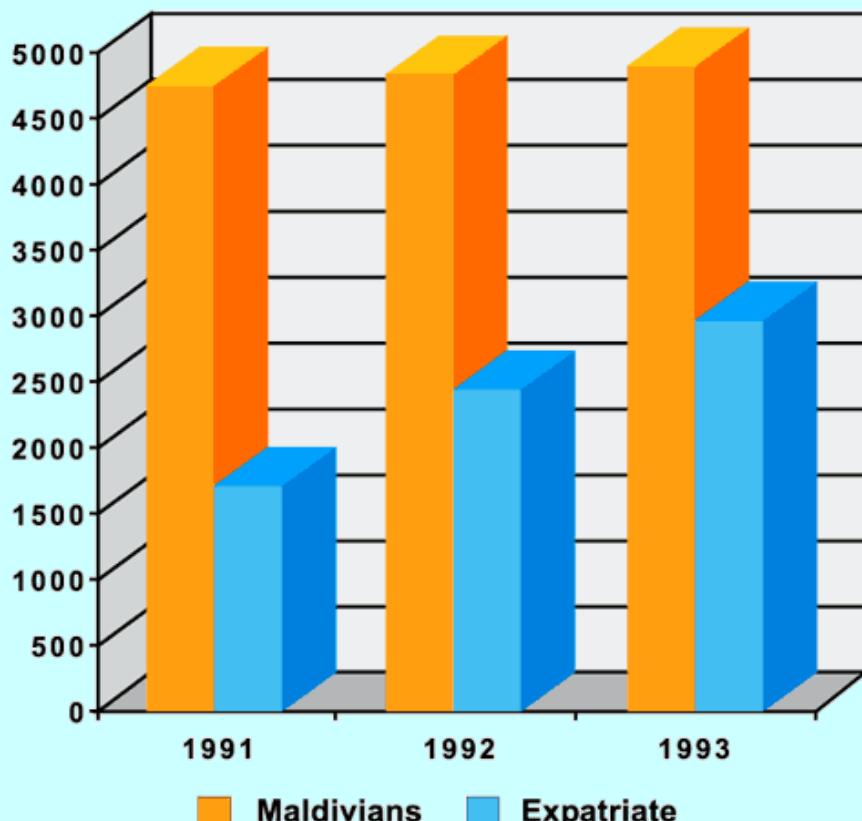
5.4.1 The Present Position is Approaching Crisis

Tourism to the Maldives has grown rapidly and consistently since 1972. At that time Maldives did not have knowledge of tourism operations, and imported expatriates to build up its expertise in this area.

Training for tourism occupations started in 1987 when the UNDP, and later the EU sponsored the Institute of Hotel and Catering Services. The Institute has produced a relatively small number of graduates because of lack of available 'O level' students and because tourism has not been viewed as a good occupation by parents. Until 1995 the Institute of Hotel and Catering Services failed to fill its quota of students. Consequently as tourism grew so did reliance on expatriate labour which grew from 9% of the total labour force in tourism in 1986 to 38% in 1993. (See Figure 5.1). It is still increasing, and without a concentrated programme of recruitment and training will continue to do so.

At the end of 1993 there were 4,922 Maldivians, and 3,011 expatriates working in the tourism industry. Unless Maldivians are persuaded to enter tourism as a career the number of expatriates will continue to grow, while Maldivians may not find jobs.

Figure 5.1 Expatriate Labour is growing



Formal training is given by the Institute of Hotel and Catering services - Sosunge. In the 1995/1996 academic year the school will achieve its full quota of students for the GHS course for the first time. It will have 50 plus students sitting the GHS, a certificate level entry course for trainee supervisors and future assistant managers. In addition they will have short courses for 160 workers in the industry in a variety of short courses. These certificates must be valued by the industry.

5.4.2 Tourism numbers and new staff requirements

Tourism numbers are presently rising at around 15% per annum. The Master Plan envisages a slowing in the rate of increase in numbers by positioning Maldives as a premium eco-destination. The objective is to increase yields from higher spending tourists rather than have increases just in the numbers. This is essential in view of capacity constraints particularly at the airport and in human resources. Even within this policy it is forecast that an additional 10,000 beds should be built by the end of the planning period, 2,500 are already expected to be available by 1997.

An additional trained 8,400 staff will be required to service 10000 extra beds. Approximately 3,500 will require specific tourism training. A further 850 will require training in craft skills by the Vocational Training Centre. There will be over 4,000 unskilled workers who will require minimal training.

The number of young people leaving school is rapidly increasing, 5,255 school leavers in 1995, 8,300 in 1996. 'A level' students from which most of the management of the future will come number 150 in 1995, and will continue to graduate at the rate of 150 to 200 per year through the period. Of these students about 30 to 40% may expect to achieve university education under present arrangements.

'O level' students who are needed for most skilled and semi skilled operations will number 1,300 in 1995 rising to 1,500 in 1996 and gradually increasing by about 150 a year until the end of the planning period.

Unemployment is likely to become a major problem for Maldives. Tourism is the industry most capable of providing a safety net in the short to medium term provided that recruitment and training procedures are put in place to maximise opportunities for young Maldivians to join the industry.

Young people do not regard tourism as a worthwhile occupation. They see it as offering worse conditions than in the rest of the service sector, pay per hour actually worked is perceived as lower, as is lack of social life on the resorts, separation from family etc. These factors deter young people from considering a career in tourism.

Very few Maldivian women work in the resorts because of perceptions about resort life, no contracts of employment in some cases, no properly designated living quarters, and with a couple of exceptions no transportation home after work.

The majority of the senior management and supervisory posts are held by expatriates. For many occupations there is no training available in the Maldives. There are few small business enterprises, manufacturing handicrafts, and souvenirs.

5.4.3 Targets over the ten year period

The following are the targets for the Master Plan:

- Provide 8,400 new jobs for Maldivians at all levels of tourism to cater for growth.
- Provide substitute training programmes in high skill areas to reduce dependence on expatriate labour, target a reduction per year from 1997.
- Provide equal opportunities for women in tourism. Set a target of 25% female participation overall by the year 2004. This will be essential in view of the high level of recruitment required.
- Develop indirect employment opportunities for men and women in souvenir and handicraft manufacture and sales. Tourism offers many opportunities for development of small enterprises, such as diving and windsurfing operations, souvenir manufacture, handicrafts etc. These should be developed by organisation of special training interventions, and a small enterprise soft loan, or grant scheme.
- Provide 2,500 jobs out of the total in the Southern region.

5.4.4 Policies and actions required

The over all human resource policy direction is:

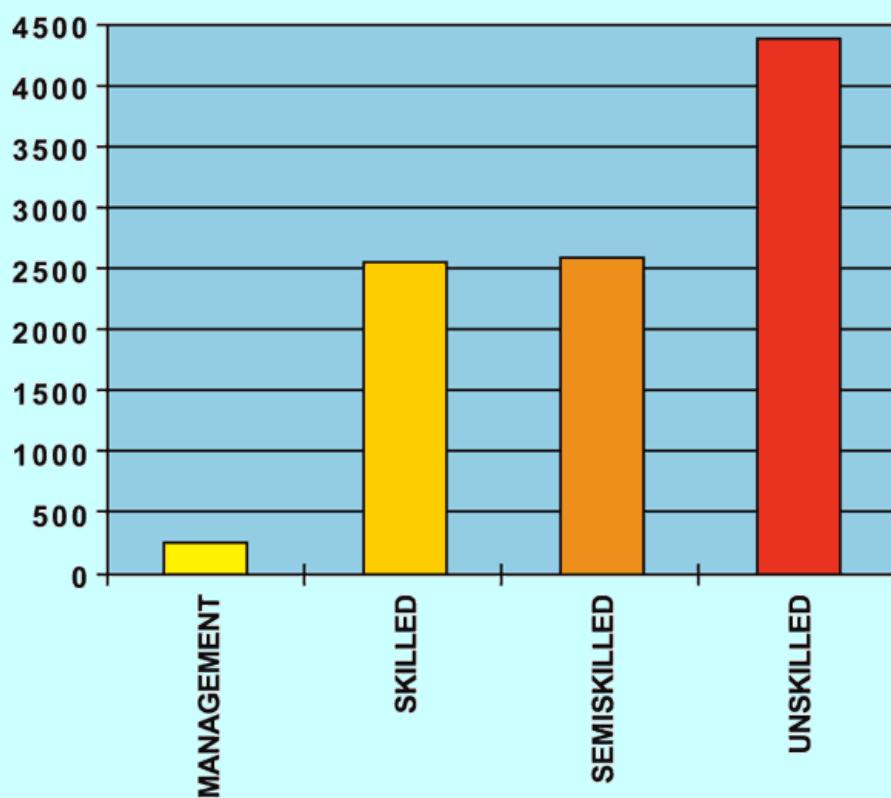
- To maximise job opportunities to the situation where most jobs in the tourism sector will be carried out by suitably qualified Maldivians.
- To recruit 10,500 staff through the period.

Figure 5.2 shows the breakdown of numbers required over the period by skills.

- To provide formal hotel school training for future management level staff, initially through the GHS course.

- To provide formal full time training for chefs, cooks, front office reception and cashiers, and housekeeping in collaboration with the EU South Asia Integrated Human Resource Development project.
- To provide training for semiskilled staff-waiters, bar staff, house boys etc. through on the job training schemes in the resorts.

Figure 5.2 Skill Levels Required



- To organise special short intense courses for special occupations, such as diving instructor, windsurfing operator, and other water sports instructors.
- Some 800 of the additional staff required are skilled operators such as mechanics, masons, carpenters, plumbers, electricians, and boat captains. The Ministry of Tourism should liaise closely with the Vocational Training Centre and with the Department of Transport to ensure that appropriate training is provided in these important skilled staff areas.
- Investment should be found either to extend the present hotel school, or to replace it with a new hotel school. Also it would be necessary to equip a temporary support college in Gan as development in the Southern Region takes off.

5.4.5 Implementation

The main thrust of activity to implement these policies should be comprehensive programmes to

A. Change attitudes to tourism as a career - tourism awareness programme.

Development of a programme to be organised and operated jointly by the public and private sector, industry and government to promote the positive understanding, and image of tourism as a career, and an important contributor to the economic well being of the country. It should encourage young people to enter the industry through a tourism awareness programme. This could involve career guidance training, open days on the resorts for pupils, parents and teachers, media coverage, provision of materials for pre tourism courses in school curricula.

A pilot programme was tested in 1994 with excellent results. This programme could be built upon. It must first of all address the basic issue of why so few Maldivians wish to work in Tourism. Careful research will be needed prior to designing a tourism awareness programme.

The programme can then deal with the identified issues. It should help Maldivian parents and young people understand the value and benefits of tourism to the Maldives, inform them about career opportunities, and promote tourism as a necessary, worthwhile occupation for young people. It should encourage young people with their parents to visit resorts to familiarise

themselves with the environment, so that they can decide whether to work in tourism based on factual information.

There are two elements to this programme.

- The first is to persuade Maldivians that tourism is a worthwhile respectable industry offering young people an interesting varied and satisfying career.
- The second is aimed at both the Maldivians and also at the tourist. It should be to highlight the value of environmental protection as the rare cornerstone of tourism. The environmental awareness programme could also become a tourism attraction of itself, using the educational aspects of interpretation, and familiarisation to reinforce the message of Maldives an ecological paradise.

The programme requires a co-ordinated approach involving the resort operators, the public sector tourism bodies particularly the new Training Board, Maldives radio and television, and the schools. The programme needs to be designed by people who understand the cultural concerns of parents and should aim to address these concerns in an open and honest manner. In addition to highlighting opportunities it needs to explain the rapid growth in school leavers and the need for employment, and the ability of tourism to provide these jobs.

The government should remove the prohibition contained in Department of Education regulations concerning visits and part time work in resorts. It could also arrange to have a pre-tourism programme, when designed and agreed, included in the curriculum.

B. Improving service quality – “Excellence in Service”

The Maldives intends to position itself a premium eco-destination, appealing to the top end of market, competing for an exclusive clientele, who value privacy, and excellence. This can be achieved by providing the level of service, facilities and amenities which are expected in return for high prices. The visit to the Maldives should be a quality experience for a much wider range of market segments, including families, the silver market, and the 'must see' segments. A quality experience means every aspect of the trip is well thought out and provided in an efficient manner.

In terms of human resource development it requires a highly expert staff in all aspects of tourism, offering quality food, service, and support, in high quality surroundings, to a comparable quality provided by competitor destinations such as Seychelles, Mauritius, Singapore, Thailand, and Fiji.

It also implies a strong Maldivian presence in food and service. The tourist expects to identify with the country and its people.

The objective therefore must be to organise recruitment and training of Maldivians to cater for this market. Training must be at two levels: Basic for new entrants, advanced for identified present employees in the industry with the ability to further develop. Advanced courses should be for Maldivians, who will represent the unique Maldivian experience in the premium resorts.

The main areas which should be focused on are:

- Customer relations,
- Languages,
- Cookery,
- Food service,
- Guide and airport representative services,
- Training of new recruits and provide advanced training for present Maldivian staff to improve skills in the industry.

C. Decentralisation: Directing Tourism towards centres of population other than Malé

Malé and to a lesser extent Ari atoll have been the main beneficiaries from the rapid development of tourism. In the process this development has led to a major shift in the population to cater for tourists. The population of Malé has increased dramatically, and other parts of the country have had substantial reductions in population. As a result severe social dislocation has occurred. The image of Maldives as a desert island paradise also requires an element of remoteness to the product offering which will not be available if uncontrolled development continues.

It is logical therefore to consider a regional tourism development policy which among other things would take into account the national objective of taking jobs to the people. The overall policy of consolidation and regional distribution reflects the need to target new areas near to sources of growing population to bring jobs to the people. The present situation where the bread winner lives away from the family for eleven months out of twelve is unsustainable. Evidence of the problems

arising can be seen particularly in Seenu atoll where the ratio of men to women in the 15 to 30 age group is 25/100. The divorce rate is much higher than the national average. The socio cultural environment of the region is being affected by an artificial situation brought about by substantial centralisation of tourism into the Malé and Ari atolls.

Government policy within the overall framework of the plan should be to focus new development into regions where sustainable tourism can be developed, and towards centres of population, thereby permitting development of job opportunities both directly within tourism, and indirectly in the support industries.

Gan has much of the essential infrastructure in place, a large airport, which requires further development, an 'O' level' school, a substantial population, and a large number of trained personnel in tourism operating away from home. It should be targeted for priority development during the period of the plan.

Work opportunities in tourism should be developed near to sources of labour, especially in Gan, and Gaafu Dhaalu. This would require a hotel school in the southern region linked to the Institute of Hotel and Catering Services school, initially to train craft skills to local students.

D. Provide equal opportunities and conditions for women

Provide facilities for women so they can work in resorts alongside their male colleagues. The entire gender issue is central to the provision of more Maldivian employment. It can only be addressed successfully where opportunities and conditions are incorporated into training, work, and employment condition programmes which foster equality. This will involve regulations requiring either (a) provision of accommodation for women workers, or (b) providing transport at the end of the work period for them to return to their own accommodation off the resort. Although it is not envisaged it will be a major issue where circumstances allow, similar transport will be offered to married couples working in the same resort.

It should be noted, that all the human resource development and employment promotion policies for the tourist sector should be directed at women and men equally.

Equal opportunity should be promoted in close collaboration with the equality programmes being operated by the Ministry of Women's Affairs, and the atolls administration programme, by the Ministry of Tourism, the Tourism Training Board, and the Tourist Board.

Many of the regional strategies and product development initiatives that are endorsed in the Master Plan should, in particular, provide possibilities to enhance female participation in the tourism industry in the following ways:-

- Central region, Malé waterfront proposals could increase jobs in the capital; and increased development densities within the 20 kilometre urban core should create more job opportunities within easy commuting distance of Malé.
- Excursion island up-grading and new demonstration projects as well as integrated community development pilot project could increase opportunities within the context of developing lifestyle, cultural, arts and crafts, music and educational related attractions.
- Family all-inclusive resorts could present working environments that are more conducive to female employment.
- New potentials in the southern region priority target area of Seenu Atoll present special opportunities within the development framework of the proposed community integrated schemes on Fedu, Marudu, Abuhera islands and Hittadu peninsula.
- Regional decentralisation programmes would concentrate development within easy commuting access of regional airports and related population centres.

Advanced awareness-raising campaigns as the lead-in to these development initiatives could be aimed at motivating and preparing women to take full advantage of the opportunities that these projects present. Follow-up active recruitment and related skills development, small business and entrepreneurship training could be embarked upon.

E. Phased reduction in number of expatriates

Government should implement a gradual phased reduction in the numbers of expatriate staff over the period of the plan, substituting them with Maldivians with suitable training. A realistic target should be set which will reduce the rate of growth and then bring about reductions from 1996. It could be difficult to achieve, but the tourism awareness and training programmes, the targeting of women to join the industry, and the provision of training programmes combine to ensure that this vital objective is targeted and must be met.

F. Improvement and enforcement of contracts of employment

Contracts of employment should be reviewed and where necessary improved. Enforcement through inspections should be increased. Particular attention could focus on accommodation quality. Examples of best practice, as shown on Paradise Island, should become the standard for all future developments.

G. Cost recovery

The cost of providing 10,500 new jobs, training and retraining of staff will be high. The training should benefit the industry, who should profit from more efficient staff, reduction in number of expensive expatriates, and eventually increased productivity. The government should consider introducing a training levy on expatriate staff numbers to cover the cost of Maldivianisation.

5.5 HARMONISING TOURISM AND THE ENVIRONMENT

5.5.1 Tourism in the Context of Environmental Management

Much has already been accomplished through the National Environmental Action Plan (MPE 1989). This is a comprehensive policy document, approved by Presidential decree in 1990 and by the Majilis in 1991, and provides a framework for environmental planning and management in the country as a whole. (See Appendix 3.1 in Volume II)

Integrating Tourism with Coastal Resources Management

The Marine Research Centre of the Ministry of Fisheries and Agriculture is in the process of carrying out an Integrated Coastal Resource Management Programme in Vaavu and Meemu Atolls. This initiative combines well with the Master Plan ethos to enhance the status of diving and allied marine activities by taking actions that aim at inducing resorts to make substantial extra efforts to improve the scope and nature of marine-life promotions and presentations.

Tourism and Marine Research

Even if the idea to expand the proposed marine research station project on Gan Island (Seenu Atoll) into a multi-function marine and leisure complex is not implemented, the potential for marine research to benefit tourism remains. An established and expanding role of the Marine Research Station (MRS) that has major importance for tourism, is that of advising on the formulation of environmental management regimes and visitor management schemes for the proposed marine parks and other special protected areas. In particular, in this respect, advice would extend to ensuring that visitor capacities of reefs and other natural systems are not exceeded.

Protected Areas

Fifteen dive sites have recently been identified jointly by the MRS section of the Ministry of Fisheries and Agriculture and the MPHRE. Earlier six other zones in Male', Ari, and Lhaviyani atolls have also been considered for designation as protected areas. It is now timely for the various candidate sites to be evaluated with the purpose of selecting a priority action area as the subject of a targeted work programme aimed at taking steps for the establishment of the first in a series of Marine Parks. With this perspective in mind, it is provided for in the Master Plan that a follow-on implementation guideline study should be carried out to examine the viability of establishing the first fully operational and sustainable Marine Park.

Environmental Public Awareness Programmes

Efforts should be made to introduce public media awareness programmes that illustrate the direct and indirect connections between tourism, the environment and other development sectors. Besides dissemination to the general public, target groups should include: schools, island and women's development committees, island office staff and atoll administration offices.

These general environmental awareness programmes should be complimented by the specific tourism initiatives aimed at promoting better presentation and interpretation of the Maldives' marine life and underwater paradise and the fragile and finite nature of the island resorts. Concepts like video or large format film shows (mini-Imax) on topics such as: global warming, a nation built on coral, waterworld, sharks at Fish and Lions Head, exhibition and interpretative models and displays that illustrate marine life, the building of natures huge underwater coral 'seascrapers' etc., will assist in product diversification, have wide popular appeal and be a valuable marketing tool.

5.5.2 Resort Environmental Improvement Measures

Development Guidelines and Controls

The Law of Tourism in Maldives (Law No. 15/79), and its regulations is the only pertinent legislative and regulatory document that has been promulgated and was last up-dated in November 1989. Its review and refinement is now a priority undertaking for the Ministry of Tourism. The supporting regulations are in their topic coverage extensive, but again should be the subject of review and updating.

Environmental Impact Assessments

Guidelines are imminently pending and major resort developments should in future be required to carry out EIA's and submit them to the MoT as part of the development application and approval procedure.

Application of Alternative Technologies

As part of the environmental awareness drive, efforts should focus on encouraging such initiatives. It is proposed that jointly the MoT and MPHRE seeks sponsorship and assistance for the production of 'alternative technology and energy conservation' guidelines in the form of a series of topic broadsheets and launches a "green award" to the resort with the most environmentally sustainable approach to its operations.

5.5.3 Resort Infrastructure Standard

At the level of the resort, the recommended approach is to allow different types of infrastructure provision but to regularise and maintain standards of performance irrespective of the technology used. Choice of equipment should be left to the individual but all systems adopted for infrastructure must be acceptable within the confines of a performance specification.

Currently the Law on Tourism in Maldives (Law No. 15/79), sets out basic sanitary provisions emphasising the importance of creating a health environment that is free from disease. It is proposed that these should be reviewed and re-drafted in the form of performance specifications which could be drawn up more stringently than at present. Specifications should be made for the main items of infrastructure, namely:-

- water cycle
- solid waste management
- energy

The prime objectives of this approach would be to improve safety and efficiency as well as installing better environmental protection and prevention measures.

5.6 MARKETING AND PROMOTION TO ACHIEVE THE DESIRED FUTURE

5.6.1 The Mission of the Tourist Board

Marketing and promotion are key activities to bring about the future which is wanted for the tourism industry in Maldives. Marketing and promotion should be undertaken by the Maldives Tourism Board (MTB), which should be established as a partnership between the private and public sector. In this way the expertise of the private sector can be introduced into the creative tasks of promoting Maldives as a special tourist destination.

This task facing the Tourist Board is far from easy because competition in the global tourist industry is becoming more and more fierce. Maldives has to match this competition by continually improving all aspects of its product and at the same time becoming more sophisticated in its marketing so that it can target market segments more precisely and reach them more cost effectively than in the past.

The Mission of the Tourist Board with respect to marketing will be as follows:

"The Tourist Board will promote quality growth in the tourism industry in Maldives to foster a well utilised and financially healthy private sector industry - in this way enabling the industry to deliver economic, social and cultural benefits to the people of Maldives whilst at the same time contributing to enhancements in Maldives' unspoiled marine environment to the benefit of tourist customers."

5.6.2 Marketing goals

The Master Plan envisages a continuing growth in tourism development in Maldives in the light of a continuing favourable market response to the product offer of holiday visits to the coral islands. The key marketing objectives for the Tourist Board should be:-

- to achieve the growth targets set in the Master Plan, especially the targets concerning the revenue yields from tourism. The tactics of achieving this growth may vary from year depending on the market circumstances existing in any one year;
- to strengthen and focus the image of Maldives in the source markets as mentioned above in order to differentiate Maldives from competitive destination;
- to bring about the diversification and differentiation in both the source markets and in the market segments to which Maldives is selling;
- to help initiate the variety of new products which Maldives will develop through the period of Mater Plan;
- to monitor and support the private tourist industry in Maldives in their operations to maintain viable bed occupancy levels, to iron out seasonal fluctuations in visitors, and to improve their achieved revenue yields from tourists and tour operators.

5.6.3 Preparing the marketing plan

The Tourist Board (private and public sector) should work to a marketing plan which is an ongoing three – five year plan which is revised each year to take account of where detailed marketing effort is going to be made. The critical tasks for marketing include the gradual repositioning of Maldives as a premium eco-tourism destination able to improve the revenue yields from tourists. The intention is that through the quality of the marine environment this would be a unique positioning.

The Marketing Plan should embrace the latest technologies now available to a destination such as Maldives which is a ‘market nicher’ in the main sea, sun, sand market but a ‘market leader’ in the niche market of the enthusiast scuba diver. Guidelines for marketing and technical assistance are given in Section Six in the accompanying volume “Implementation Guidelines”.