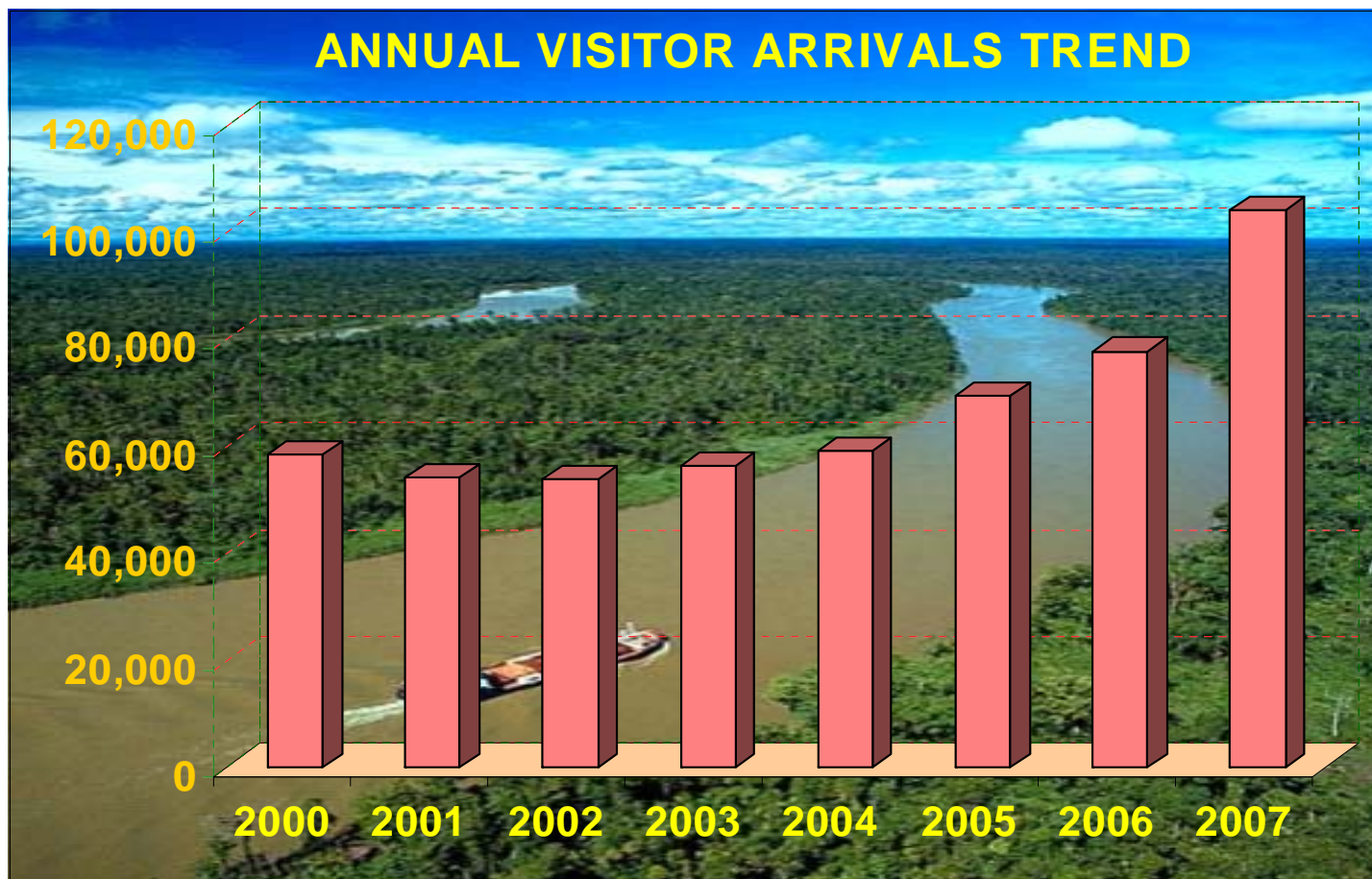




PAPUA NEW GUINEA
E X P E R I E N C E

VISITORS ARRIVAL SUMMARY 2007



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This is an end of year (2007) summary on short-term international visitor arrivals to Papua New Guinea.

The report presents the trends and market share analysis of all short-term international visitors to PNG in 2007. It is reported by **source market** and **purpose of visit** to the country. The report also presents summary tables and graphical analysis of annual and monthly trend to observe performance and development/growth of tourism in the year compared to the previous years. In addition, marketing briefs are also included based on recent research to compliment the visitor arrivals trend from the source markets.

1.0 Executive Summary

The total number of short-term international visitor arrivals to Papua New Guinea was **104,122** at the end of December 2007, recording a big increase by **34%** or some 26,000 additional visitors compared to the total **77,730** arrivals in 2006. The increase was a big jump compared to the 17% growth rate in the previous year (2006) and the average annual growth rate of 5% in the last three years.

Note: Some cruise ship figures are not included in our final statistics and will be updated once they become available.

1.1 Purpose

- About 60 percent of the total arrivals were business visitors, while **35 percent** were genuine holiday/leisure-oriented (including VFR).
- The holiday & business segments grew by 21% and 41% respectively in 2007 compared to 2006.
- Most of the visitors from Japan (71%), America (48%) and European markets (60%) were strongly holiday/leisure-oriented, while the majority of the visitors from Australia (70%) and Asia (54%) were more on business. However, the holiday segments of the Australian, Asian and other source markets increased in 2007 compared to 2006 (refer to *table 2*).

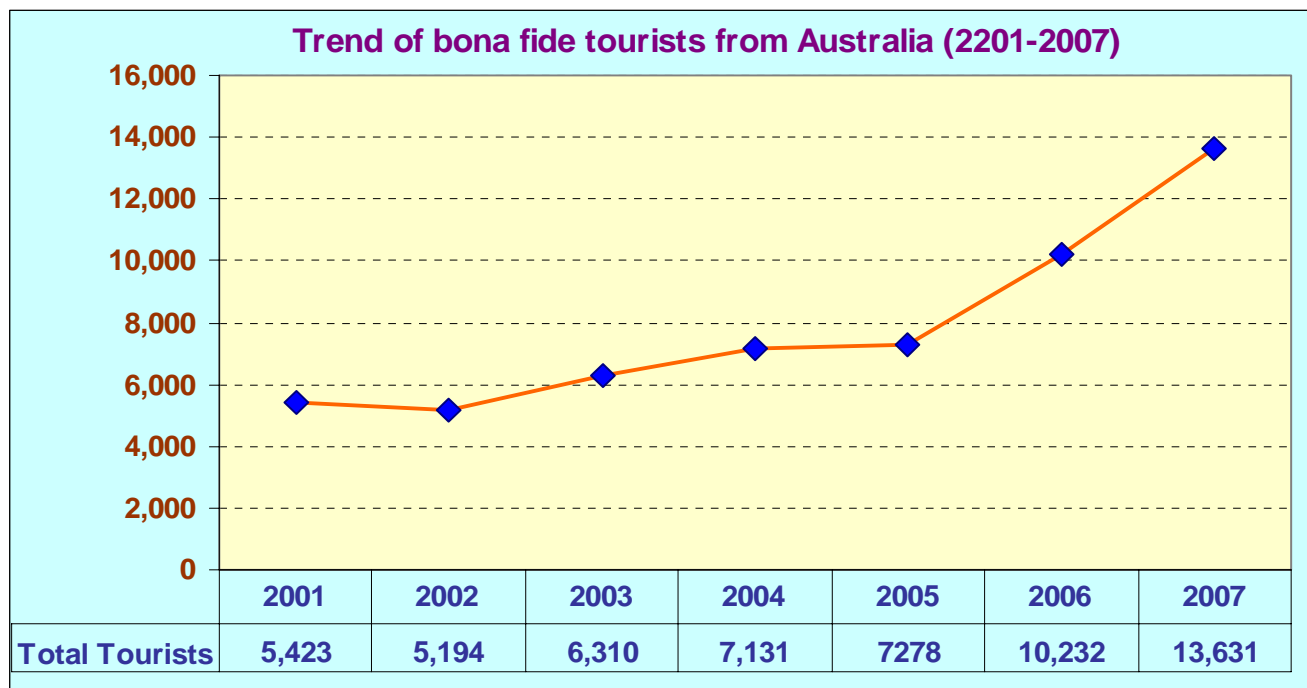
1.2 Source Market Performance

Australian Market

The Australian market continued to remain the highest single source market (in all segments) for Papua New Guinea. It accounted for 52 percent (54,098) of the total arrivals, recording increase by 33% compared to the 2006 arrivals.

Most of the visitors from the market were on business visits (66%), while 26% accounted for holiday/leisure. Both the segments recorded increases, with holiday recording an increase of 33% and business increasing by 30% compared to the 2006 arrivals.

Annual trend of bona fide tourists from the Australian Market



As it can be seen above, strong growth in holiday arrivals from the Australian market is from 2005 to 2007 and that is a result of the opening of the new office in Sydney (headed by Sharon). In consultation with the head office (PNG TPA), the new office in Sydney was able to develop a lot of programs to lure more tourists from this market. One of it being the development of a comprehensive website for visitors to browse through and make travel decision.

Japanese Market

About 3 percent (3,347) of the total arrivals were from Japan. Total visitor arrivals from the Japanese market decreased by -15% percent compared to 2006 total arrivals. Most of the visitors from the market were holidaymakers (72%), while only few (25%) came for business.

In the holiday segment, Japan also recorded a decrease of 25% (-816) in 2007 compared to the total holiday arrivals in 2006.

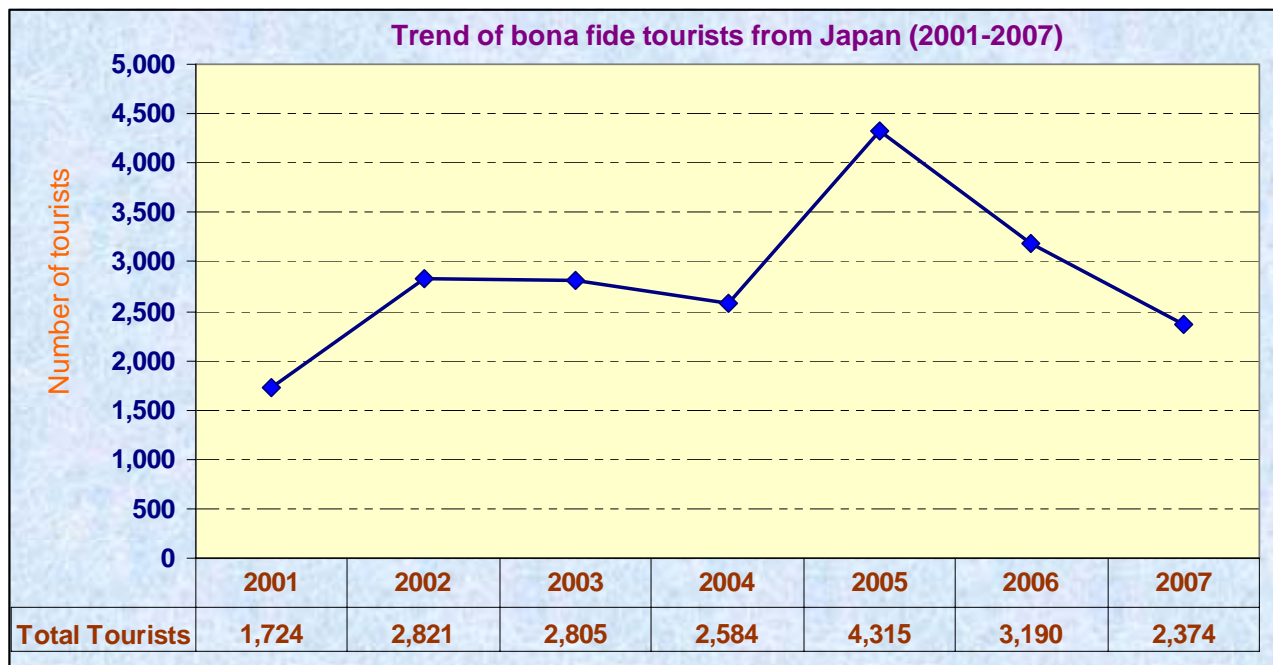
Referring to the graph on the next page, an upward trend developed in 2005 for the Japanese tourist arrivals into Papua New Guinea. However, in 2006 and 2007 PNG lost its tourists market share by 26% and 25% respectively.

The reason for the drop of tourist arrivals from the Japanese market was due to a drop in outbound travel in 2006 and 2007, which affected most of the long-haul destinations (including Australia & New Zealand and the Pacific Island countries). There has been a shift in offshore travel to Asia over the last two years, away from traditional longer-haul destinations.

China experienced a growth of 70% in the last two years – attracting over 1.5 million more Japanese visitors than in 2004. The 2008 Beijing Olympics may continue to drive this upward curve. Taiwan, Vietnam and Thailand also saw sizable growth in numbers of Japanese visitors. The major loser was the U.S. mainland (less 1.4 million trips), also key European countries suffered significant losses as well over the two year period. Canada lost 152,000 visitors, down 31%. Australia, in contrast, lost 69,971 visitors.

On the other hand, PNG recording the lose was also contributed by the drop in cruise ship arrivals from the Japan market, together with some PX cancellation earlier last year from this market.

Annual trend of bona fide tourists from the Japanese Market



American Market

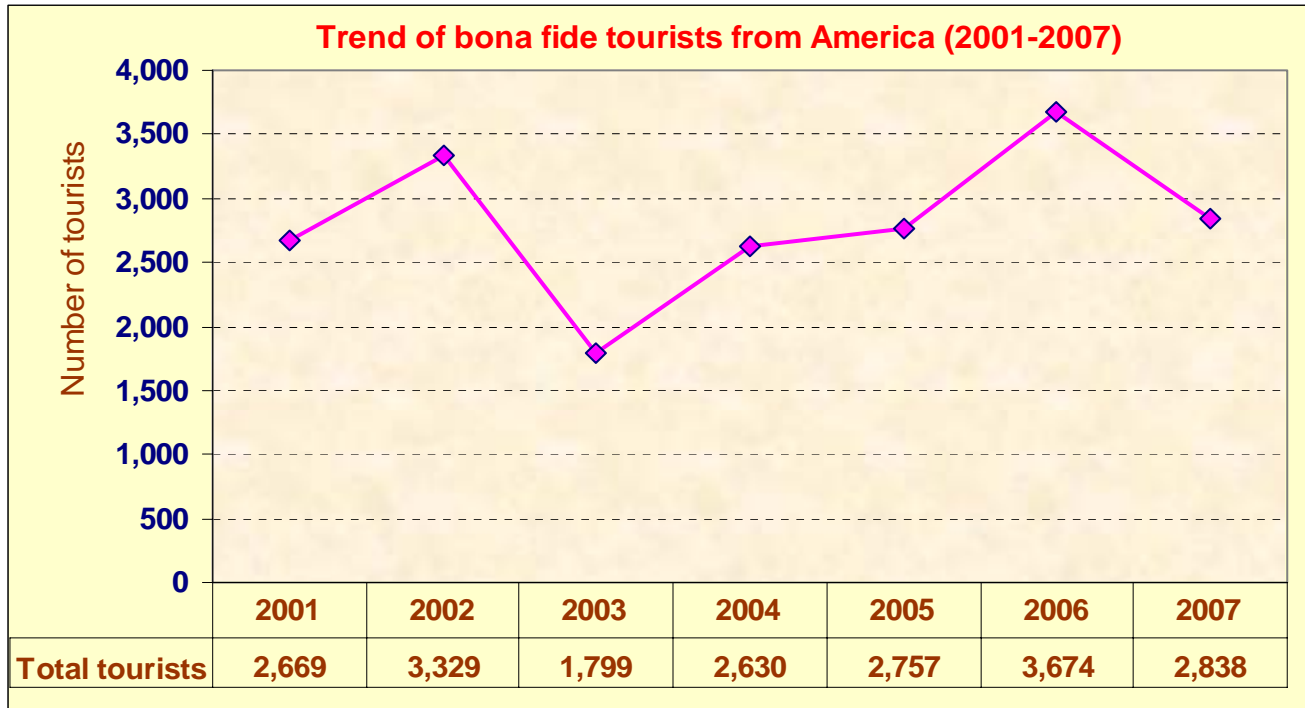
The American market collectively generated about 7% (6,150) of the aggregate arrivals, reflecting decrease by 1% from 6,228 arrivals in 2006.

Most of the visitors from the USA were older age people who came mainly for holiday. However, the holiday segment in this market has also decreased by 23% in 2007 compared to the holiday arrivals in 2006.

The lost in both the total and tourist arrivals from the US was mainly due to the depreciation of the US dollar against other major currencies around the world including the AUD, NZD and the Euro. The decline in the value of USD has weakened the purchasing power of consumers and has to cut down on some unnecessary spending like leisure travel. This was evident from the latest research and news releases, which was posted on the worldwide website.

Despite the effect, Canada recorded an increase of 40% on the total arrivals in 2007, while the total market share of other American market show an increase of 101% compared to the total 2006 arrivals.

Annual trend of bona fide tourists from the American Market



As it can be clearly seen, the trend in bona fide tourist arrivals from the US market picked up well since 2003, but dropped in 2007 by 23% due to the down turn in the US economy. World economists predict that if US falls into a deep recession, the entire world tourism market could suffer.

US recession threatens world tourism market

February 8, 2008

The World Tourism Organization (UNWTO) says that if the US falls into a deep recession, the entire world tourism market could suffer.

But Francesco Frangialli, Secretary General of the World Tourism Organization (WTO), told Reuters he remains optimistic the number of tourists arriving in foreign countries would rise for the fifth consecutive year, albeit at a slower rate than last year: "The best prediction we can give today is that we do not predict negative growth for 2008, except if the American economy falls into a deep recession followed by the rest of the world."

Last year, UNWTO experts were already warning the growth of tourist arrivals would slow to around 4% this year from 6% in 2007 and 5.4% in 2006 on the back of economic uncertainties sparked by the US sub-prime mortgage crisis. Frangialli emphasized that the US makes up only 10% of tourist receipts despite accounting for a quarter of the world's GDP.

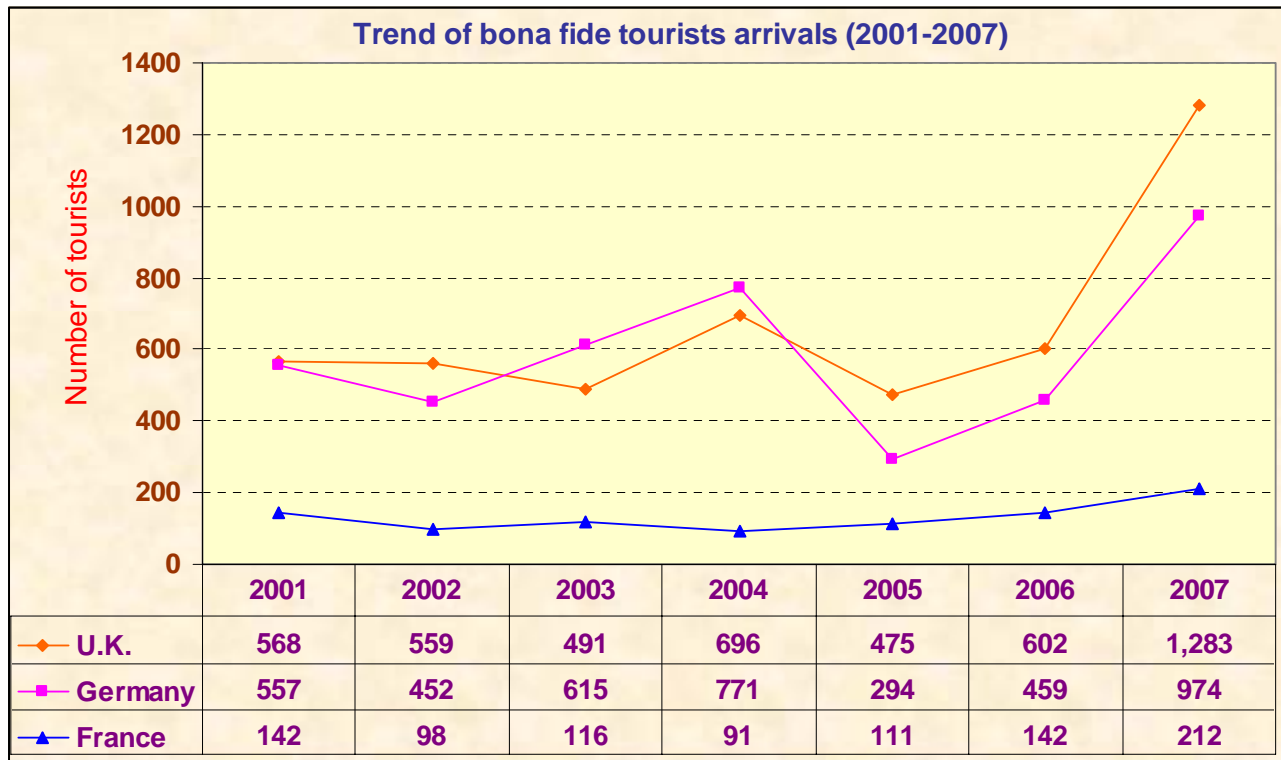
John Kester, the WTO's head of analysis, told Reuters it was too early to say whether the organization would cut its forecast of a 4% increase in arrivals for this year.

Europe

The collective European markets accounted for 7 percent (7,416) of the total arrivals. United Kingdom represented 47 percent (3,506) of arrivals from the market, Germany generated 20 percent (1,489) and France accounted for 6 percent (461), while the other European markets including the newly established markets (Russia, Scandinavians) contributed 41 percent to the arrivals.

Even though there was a drop of 24 percent in the other European markets in 2007 compared to 2006, the holiday segment for UK, Germany and France grew by 113%, 112% and 50% respectively.

Annual trend of bona fide tourists from the European Market



It can be clearly seen from the trend that the markets performed exceptionally well in 2004, 2006 and 2007, while a drop of bona fide tourist was experienced in 2005 as a result of the growing terrorism threats amongst the European countries.

In 2006 and 2007 terrorism threats have slowed and most Europeans gained confidence and wanted to travel to long-haul destinations of choice. Most of the bona-fide tourists traveling to PNG were motivated by the PNG Tourism Promotion Authority's effective marketing and promotions of tourism products in the region. The notable one was the inviting of more travel writers and film crews from Europe both by TPA and industry partners to channel the tourism products to targeted consumers in the region and participating in travel/trade shows to generate demand amongst wholesalers/retailers in the region.

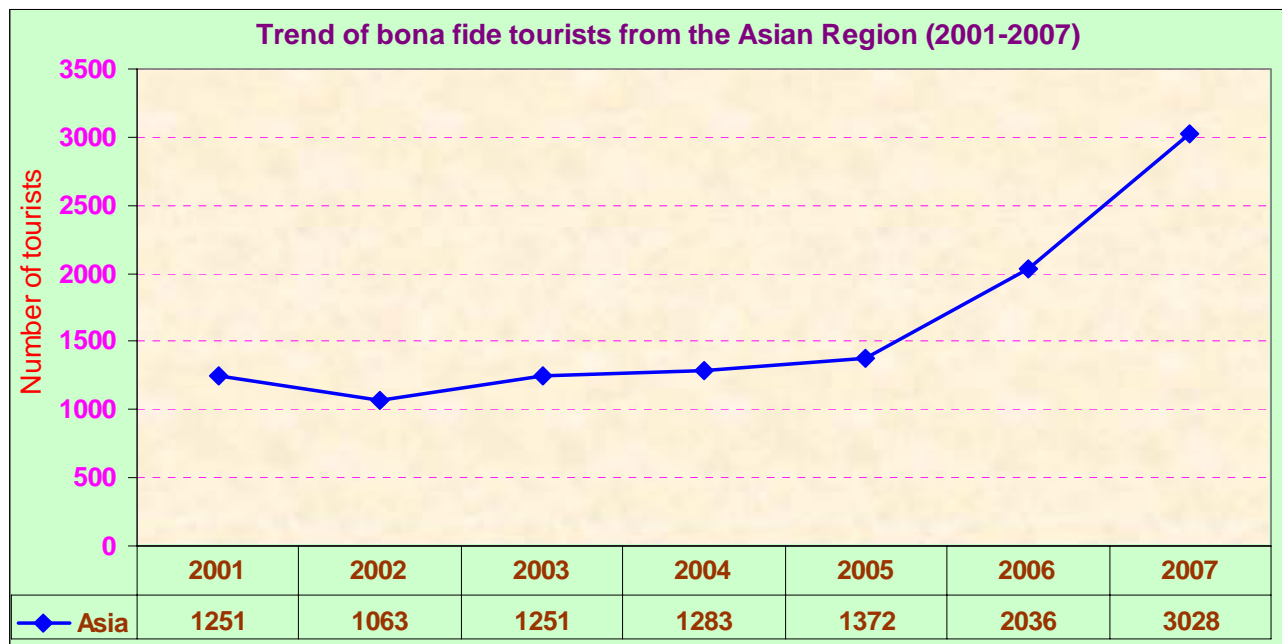
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Asia

The Asian market represented 21 percent of the total arrivals (21,142), with an increase of 20 percent compared to the total arrivals in 2006.

A higher number of the visitors were age between 30-39 and 40-49 years. Most of the visitors from the Asian markets visited for business reasons. However, the holiday segment from all the markets in Asia increased; Malaysia (57%up), China (42%up), Philippines (105%up), India (168%up) and other Asia (21%up). The increase in holiday figures from Asia, Africa and Oceania could not be real as most of those coming for business might register as holiday to avoid cost on visa.

Annual trend of bona fide tourists from the Asian Market



Pacific

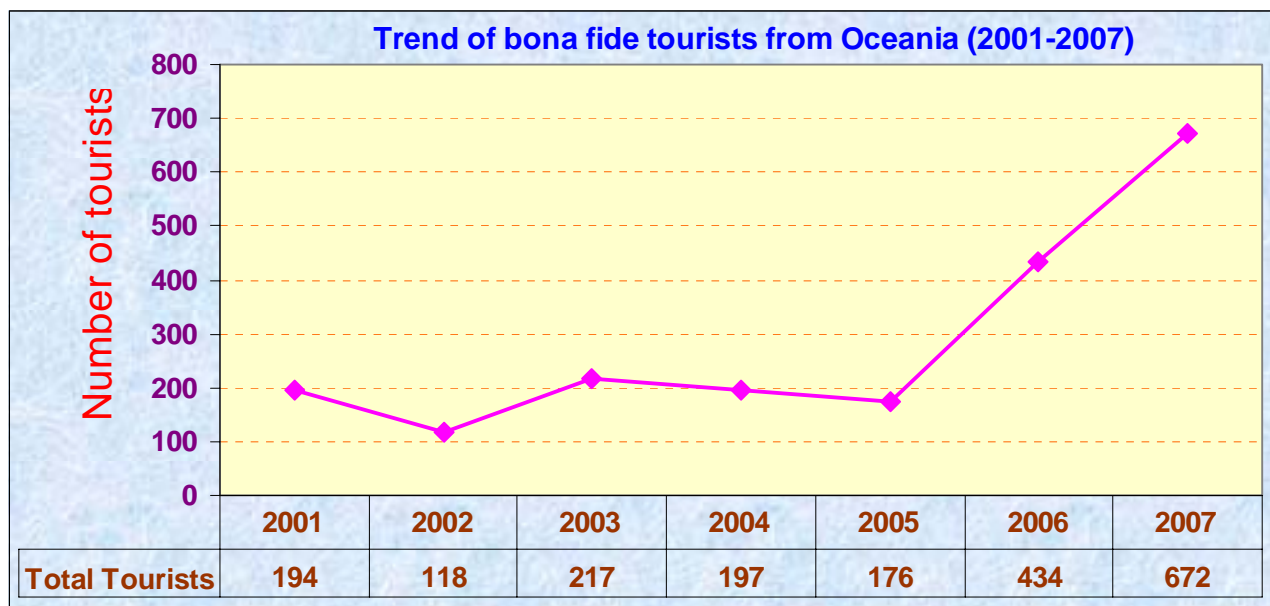
Arrivals from the Pacific indicated a 41 percent increase with an additional of 901 visitors in 2007 compared to 2006. Most of the visitors from this market came for business reasons (52%), while 22 percent visited for holiday reasons. However, the holiday segment increased by 54% from this market.

New Zealand

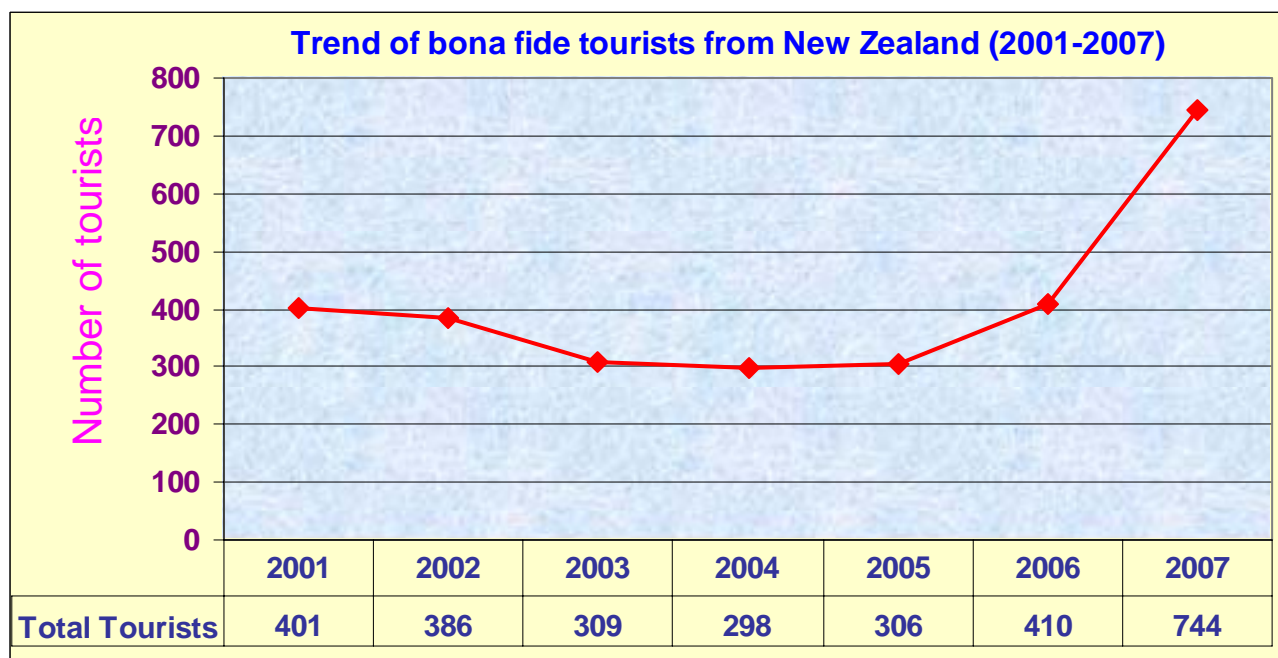
New Zealand contributed about 5 percent (4,628) of the total arrivals in 2007, which was an increase of 61% compared to 2006. Both the holiday and business segments recorded increase with the holiday segment showing the highest increase by 82% compared to 2006, while the business segment increased by 50 percent.

Please refer to the tourists arrival trends on the next page.

Annual trend of bona fide tourists from the Oceania Market



Annual trend of bona fide tourists from the New Zealand Market



The holiday market from New Zealand picked up slowly in 2004 and 2005, and in 2006 the upward trend continued on a higher note, recording an increase of 34%, while in 2007 the performance was even higher, which show an increase of 82% compared to the 2006 holiday arrivals.

The increase was a result of opening the new TPA office in Sydney and the new web-site development, where a lot of quality promotion was done (through these) to attract more Australian and New Zealand tourists. The other notable reason is the push and pull factor that co-exists between PNG and its source markets, whereby travellers turning away from destinations struggling with traveller safety and choosing to travel towards more safe destinations like Papua New Guinea.

Tourism Receipts

According to our 2007 Visitor Exit Survey:

Total tourism expenditure in 2007 is estimated to be **K880 million**, which is an **increase of 57%** compared to the **K560 million** spent in 2006. Out of the total tourism expenditure in 2007, it is estimated that genuine tourists have spent a total of **K300 million** in Papua New Guinea, of which Kokoda trekking alone directly generated K25 million.

Total Tourist Expenditure by Market Area (in 2007)

Country	Average length of Stay	Tourist Arrivals	Daily Expdt.	Average /Head Expenditure		Total Expenditure		%tage Share
				Kina	US\$	Kina	('000 US\$)	
Australia	17.5	16,612	480.42	8,407.35	2,660.92	139,662,898.20	44,203,307.28	47
New Zealand	18.4	1,044	394.16	7,252.54	2,295.43	7,571,655.94	2,396,429.10	2.5
Pacific Islands	23.1	929	488.61	11,286.89	3,572.30	10,485,521.74	3,318,667.63	3.5
Japan	11.2	2,419	784.76	8,789.31	2,781.81	21,261,345.73	6,729,215.92	7.1
Asia	20.8	3,907	397.09	8,259.47	2,614.12	32,269,757.10	10,213,378.12	10.8
United Kingdom	17.3	1,415	570.36	9,867.23	3,122.97	13,962,127.62	4,419,013.39	4.7
Germany	16.8	1,027	689.41	11,582.09	3,665.73	11,894,804.38	3,764,705.59	4
Other Europe	16.2	848	554.72	8,986.46	2,844.21	7,620,521.47	2,411,895.05	2.6
USA	19.2	3,124	597.57	11,473.34	3,631.31	35,842,726.66	11,344,222.99	12
Canada	21.5	380	579.28	12,454.52	3,941.85	4,732,717.60	1,497,905.12	1.6
Other Countries	16.7	1,459	586.23	9,790.04	3,098.54	14,283,669.82	4,520,781.50	4.8
Total Average	18.1 days	33,164	556.60	9,831.75	3,111.74	299,587,746.25	94,819,521.69	100

Conclusion

Short-term visitor arrivals in the past four years (2003, 2004, 2005 & 2006) have been growing at a constant rate and in 2007 the rate has tripled (almost three times), recording an increase of 34% and over the 100,000 visitor arrivals mark. The increase was much higher than the initial forecast of 90,000 expected to be recorded at the end of the year (2007).

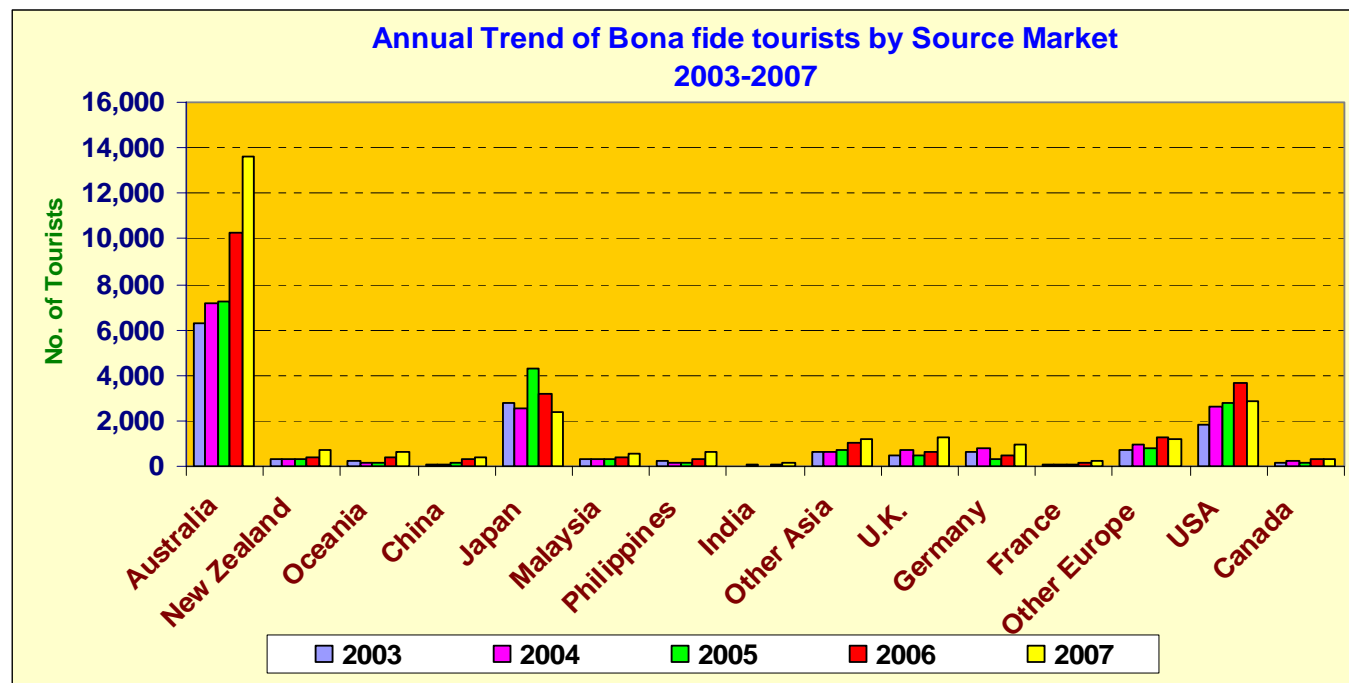
Since tourism is recognized by the government as an economic sector in its Medium Term Development Strategy (MTDS), tourism contributed significantly in the economy of Papua New Guinea over the last four years.

However, Regional Competitors are a big threat: If the government does not support the strategy by significantly increasing funding of TPA operations, PNG will lose, not only its existing markets, but also its potential markets to regional competitors.

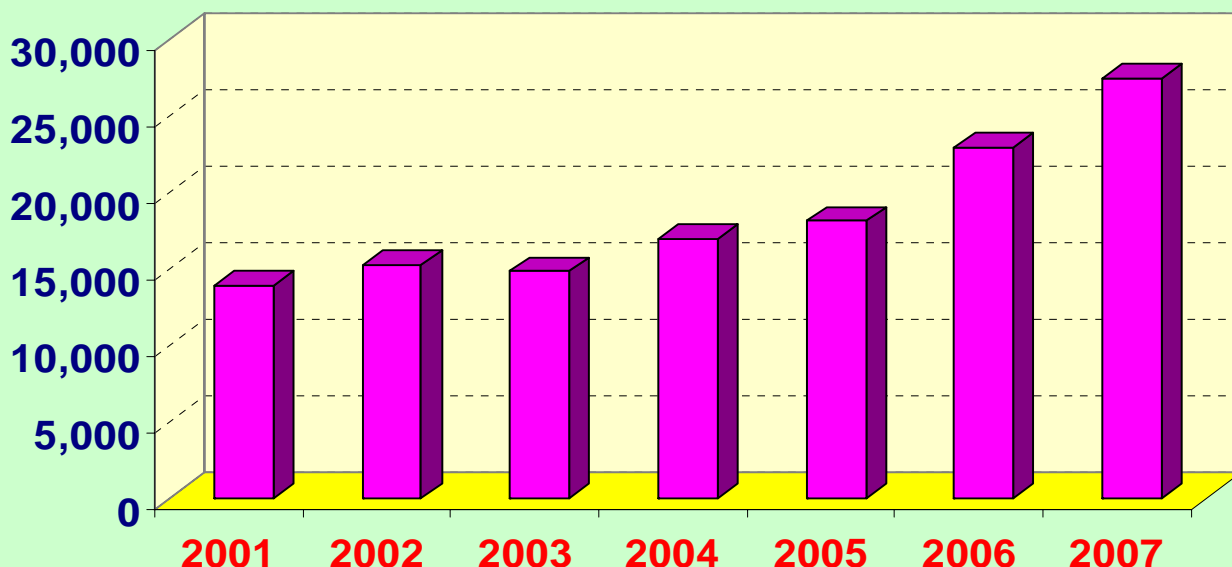
Please refer to the attachment for total visitor arrivals and bona fide tourists in PNG.

Annual Analysis of Bona fide Tourists by Country of Residence (2001-2007)

Country	Bonafide Tourist01	Bonafide Tourist02	Bonafide Tourist03	Bonafide Tourist04	Bonafide Tourist05	Bonafide Tourist06	Bonafide Tourist07
Australia	5,423	5,194	6,310	7,131	7278	10,232	13,631
New Zealand	401	386	309	298	306	410	744
Oceania	194	118	217	197	176	434	672
China	117	132	118	107	128	280	397
Japan	1,724	2,821	2,805	2,584	4315	3,190	2,374
Malaysia	250	180	279	304	325	366	577
Philippines	265	193	216	169	157	305	624
India	155	107	35	48	31	74	199
Other Asia	464	451	603	655	731	1011	1231
U.K.	568	559	491	696	475	602	1283
Germany	557	452	615	771	294	459	974
France	142	98	116	91	111	142	212
Other Europe	644	826	726	949	815	1,258	1,164
USA	2,669	3,329	1,799	2,630	2757	3,674	2,838
Canada	228	373	126	204	122	351	328
Other America	55	29	26	57	57	71	95
Africa	31	37	29	26	37	60	119
TOTAL	13,887	15,285	14,820	16,917	18,115	22,919	27,462



Annual Arrivals Trend of Bona fide Tourists



TOTAL VISITORS ARRIVAL - 2007

January - December

Country	Business	MICE	Holiday	VFR	Other	Total 2007	Total 2006	Change	% +/-
<i>Australia</i>	35,640	905	13,803	3,677	73	54,098	40,642	13,456	33.1
<i>New Zealand</i>	3,451	132	748	300	12	4,643	2,867	1,776	61.9
<i>Oceania</i>	1,614	546	680	261	16	3,117	2,199	918	41.7
<i>China</i>	3,112	44	397	136	18	3,707	2,338	1,369	58.6
<i>Japan</i>	870	54	2,376	45	2	3,347	3,966	(619)	-15.6
<i>Malaysia</i>	3,662	51	600	171	6	4,490	3,155	1,335	42.3
<i>Philippines</i>	5,412	57	662	330	17	6,478	3,784	2,694	71.2
<i>Indonesia</i>	1,478	62	278	78	6	1,902	1,635	267	16.3
<i>India</i>	1,653	23	199	61	4	1,940	1,002	938	93.6
<i>Other Asia</i>	2,046	86	958	144	10	3,244	2,739	505	18.4
<i>UK</i>	2,030	62	1,289	132	2	3,515	1,783	1,732	97.1
<i>Germany</i>	436	22	975	53	6	1,492	818	674	82.4
<i>France</i>	210	21	211	15	2	459	298	161	54.0
<i>Other Europe</i>	1,086	26	757	98	8	1,975	1,667	308	18.5
<i>USA</i>	2,857	139	2,842	286	35	6,159	6,228	(69)	-1.1
<i>Canada</i>	978	17	335	52	3	1,385	981	404	41.2
<i>Other America</i>	194	13	76	7	2	292	146	146	100.0
<i>Africa</i>	531	41	118	33	2	725	500	225	45.0
<i>Russia</i>	295	1	70	5	1	372	410	(38)	-9.3
<i>Italy</i>	108	4	153	20	-	285	277	8	2.9
<i>Scandinavia</i>	210	12	160	11	2	395	295	100	33.9
<i>Chile</i>	15	-	16	1	-	32	-	32	#DIV/0!
<i>Israel</i>	31	4	34	1	-	70	-	70	#DIV/0!
Total 2007	67,919	2,322	27,737	5,917	227	104,122	77,730	26,392	34.0
Total 2006	47,897	1,656	22,912	5,076	189				
Change	20,022	666	4,825	841	38				
% +/-	41.8	40.2	21.1	16.6	20.1				