

Tourism Stakeholders' Perspectives

The case of Palawan

NHTV Master Programme
Tourism Destination
Management

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The Case of Palawan, The Philippines

Field research
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Index

Preface

- 1 Tourism Master education and field research
- 2 Tourism and community involvement in Palawan
- 3 SME's and tourism development in Puerto Princesa
- 4 Large tourism companies in Palawan
- 5 Complexity in tourism and stakeholders' perspectives

References

Preface

Operating in a complex globalized world, tourism destinations are continuously challenged to improve their performance. The commercial success of a tourism destination depends not only on the number of visitors it receives, but increasingly on the way the different components of the tourism experience (accommodation, transportation, attractions, supporting facilities) are managed and presented to enhance the visitor's experience.

Managing tourism destinations has become a complex professional field of expertise. A tourism professional should not only know how to sell, but also how to deal with cultural complexity and socio- environmental issues. Knowledge and skills are required to establish professional relations with different actors supporting the tourism experience at the destination level. Through the Master Course Tourism Destination Management, NHTV Breda University of Applied Sciences aspires to facilitate these future developments of the tourism industry. Future Master graduates are challenged to operate professionally in complex international cultural environments, analyze different tourism situations and come with innovative solutions. The field research programme is a crucial component and learning experience.

The destination research provides valuable information that may contribute to the future planning and strategic development of tourism destinations. This has been the main reason for NHTV to publish student's research output in a new series, titled "Tourism Stakeholders' Perspectives" .

We consider this first issue on Palawan to be a first modest step in achieving this goal.

Ton Tepe

Director International Tourism Management Studies

1 Tourism Master education and field research

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Tourism destination management: developments and approach

Global tourism growth has received an increased interest from the public sector, private sector, NGO's and the academic world. This growing attention has its origin, not surprisingly, in the increased economic importance of the tourism industry for global economic growth. Tourism is one of those sectors that can demonstrate the global connections between cultures, nations, NGO's and businesses.

The effects of globalization are applauded by some and criticized by others. Positive voices are raised by those who see that international tourism growth brings large numbers of tourists and travellers to a destination and, as an effect, can create employment opportunities and increase revenues for many local stakeholders. Growth in arrivals can result in income growth and economic welfare, which is often seen as one of the important reasons for destination development, for example by local governments and private sector organisations.

However, growing tourism activities also have impacts on people who belong to or reside at a destination. A destination is not only a tourism product for the international traveler. It is also an important place for many people to work, live, raise their children or start a new enterprise. Their lives, environment, culture and balances of power can change rapidly if tourism becomes an

important driver of growth in their area. Many studies have focuses on this aspect of growth, and this research theme will continue to be developed.

Finding 'a fine balance' between various interests and voices at a destination requires specific knowledge and expertise. Understanding these complex tourism dynamics, to manage them and operate in its environment is a professional task and requires focus on one hand, and a peripheral view on the other hand.

So in the growing business of tourism at destinations, professionals are key to ensure that the increasing flow of tourists is managed, serviced and future impacts are understood and dealt with in a pro-active manner. Keeping the interests of a variety of stakeholders in mind is key.

Master Programme in Tourism Destination Management: connecting theory and practice

Education plays an important role in preparing professionals for a variety of management tasks at a tourism destination. Connecting academic insights, applied research and the daily practice of tourism management is an international challenge. It is, in fact, the main reason for the NHTV, Breda University of Applied Sciences, to have started a Master Course in Tourism Destination Management in September 2006.

During this new Master in Tourism Destination Management program, dynamics at a tourism destination play a central role in studies. This results in a unique approach for students, lecturers, researchers and other staff, but it also offers a unique focus in tourism education. Looking at issues from a destination point of view is not new, but a 1-year Master program completely dedicated to this perspective seems to be.

In the program, students are involved in both theoretical and practical assignments. Combining these assignments enables them to understand the complexities of tourism at a destination

and prepare them to operate as future professionals in the interdependent global tourism environment.

Field Research

The Master in Tourism Destination Management program develops in three different phases, namely:

1. A theoretical phase in Breda, The Netherlands
2. A field research phase at destinations in Asia-Pacific (in 2006: Bali, Singapore and Palawan)
3. A dissertation phase, worldwide

The main educational goal of this second phase research is that students learn:

- To observe and analyze developments from different stakeholder's perspectives
- To prepare and present strategic advice to stakeholder groups, considering future changes that might influence the tourism destinations and the corresponding stakeholder's success.
- To reflect upon facts and opinions based on a variety of (often incomplete) sets of information.
- To report on their findings and conclusions.

The field research of the Master in Tourism Destination Management is an important, if not crucial element of program. The fact that students conduct field research at the destination and interact with local stakeholders, offers a great and completely new learning experience. The field research offers a real life connection between theory and practice and is a window of opportunities to experience, learn, understand and analyse.

It is important to mention that within the field research methodology, three different types of tourism destinations are visited, namely:

- Areas with a typical tourist character (Tourism Areas)
- Larger cities/urban areas with a certain tourism development (City Areas)
- Emerging areas with limited but existing tourism developments (Emerging Areas)

In each of these tourism destinations, a methodological subdivision of three major stakeholders-types is made:

1. Large Tourism Companies

This category presents a highly professional sector usually with considerable investments and many kinds of national and international investors and numerous management situations. Often these are larger companies considering turnover, pax, beds and investments. They also represent a considerable share in the total labour force in tourism.

2. Small and Medium Sized Enterprises In Tourism

This stakeholder group represents the direct and indirect sectors and businesses that forms, supports and supplies the total scope of the tourism sector.

3. Other Tourism Organisations

This last stakeholder group represents the setting of tourism: people who work and live in destinations, the governments on different levels that are confronted with and react -or not- to developments or impacts, and also the segments of the economy where tourism makes use of.

While rotating research groups, students can switch between destinations as well as between stakeholder perspectives. Through these switches understanding of different stakeholder issues, problems (and solutions) of cooperation can be stimulated, more material provided to compare destinations, organisations and strategies and last but not least: new ideas for

the future. Students are, at all three destinations and in the different stakeholder perspectives, encouraged to think beyond their own role and come up with solutions for the entire destination.

Tourism stakeholders that participate in the field research are of key importance to the study programme and provide feedback to students during their work at a specific destination. Stakeholders give input; discuss their roles and issues and request for information, analysis and solutions. Further, they participate in meetings; briefings and/or presentations where they are offered a platform to give feedback on students work.

Supervising NHTV staff and visiting lecturers are available in the research area. They introduce students into each area and guide them throughout their research through meetings, lectures and briefings. At the end of each research period, student groups present the results of their findings to a forum of stakeholders.

Visiting a destination as a student and taking up research and consultancy assignments offers plenty of opportunities for all parties involved. For students, it opens new doors of information and provides a platform to interact with stakeholders at a destination. Such platforms can only be established at a destination, not from studying between the walls of an institution. It also offers an environment to develop research and problem solving skills. Instead of studying matters behind a desk or learning from field excursions, the field research is a real case study. Student groups get a real life briefing of destination issues and have to come up with solutions at the end of four weeks, based on research facts and findings. Feedback on their work is given by lecturers as well as by practitioners at the destination.

Conducting such research involves a careful and open approach at the start, a flexible and problem solving attitude during the research and a reflexive and sensitive attitude while processing and interpreting research results. In fact, students are, apart from researchers, encouraged to operate on a professional level with stakeholders, both local and global. Analysing data and drawing

conclusions in international research demands for a reflective approach. Reflective, here, means interpreting one's own interpretations and turning a self-critical eye onto one's own authority as an interpreter/author.

During the period between February 4th and May 5th, 2007, a total of 10 Master students executed their field research project in three tourism destinations: Bali (Indonesia), Singapore and the island of Palawan (Philippines).

During our stay at the island of Palawan and more specifically the city of Puerto Princesa, we have been in the very fortunate position to closely cooperate with the local government and the tourism board during the field research project. A one-day stakeholder forum was organized in close cooperation with the City Tourism Office and Puerto Princesa municipality, where students could immediately and easily interact with local parties at the destination. This was (and still is!) highly appreciated and has provided us with an important source of research information.

Structure of this publication

This document presents the summarized results of Master students' research executed at the island of Palawan in the period between April 8th and May 4th, 2007. It reflects the student's views on recent tourism developments and issues taking place at Palawan from three stakeholder perspectives:

- Other Tourism Organisations – by students (chapter 2)
- Small and Medium Enterprises – by students (chapter 3)
- Large Tourism Companies – by students (chapter 4)
- Conclusions and reflections – by lecturers (chapter 5)

In each chapter, a group of students present and discuss their findings and try to find solutions for the issues at stake.

In general, the staff members who were involved in the Puerto Princesa field research felt that the quality of the students' work

is indeed worth publicizing. In the concluding chapter, NHTV staff members who visited Palawan during the field research period and have supervised the student groups, will reflect upon methodological issues as well as tourism development issues taking place at the island of Palawan.

It is important to mention that all recommendations in this report are party interpretations of students and staff, based on the information gathered during a relative short time of 4 weeks. An academic research has not been conducted. All of us are very aware of the fact that we were, and are, still outsiders, and not insiders, at this beautiful destination. When citing this report, please take in consideration the short research period and (educational) context the research was executed in. In this research, learning and discovering went hand in hand. All references used by students are included in the annexes to this publication.

A result of pleasant and professional cooperation!

The Management of NHTV Master Course of Tourism Destination Management, the students and all the participating lecturers hope that by means of this publication some support can be given to the parties involved in the tourism industry for future development of tourism. We hope that people from every sector, be it private, public or with an NGO will be able to benefit in some way from the work of our students. Not by giving ready made solutions, but providing insights, ideas and directions.

Throughout the project of four weeks, and even the months before the actual research, the people of Palawan were extremely helpful and professional to all of us. The first and perhaps main reason for this publication is to provide the people of Palawan and also the other important parties involved in tourism development in Puerto Princesa with insights, ideas and directions from our students. NHTV University of Applied Sciences would like to share this information, instead of keeping it within the walls of its campus in Breda.

The field research project in Puerto Princesa has proven to be a strong and meaningful learning experience to students as well as NHTV University staff. All this would never have been possible, without the enormous support and help provided by tourism stakeholders in Palawan: the Puerto Princesa City Government and Mayor Edward Hagedorn, The City Tourism Council, many tourism enterprises, local communities and NGOs and many more stakeholders and other persons and institutions.

2 Tourism and community involvement in Palawan

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Mathanja Walinga (The Netherlands)

Introduction

Palawan's enormous tourism potential has been recognized by the national government of The Philippines. At the provincial level however, government is confronted with many challenges. One of these is the implementation of elaborated tourism development plans. This report focuses on these implementation issues. In order to enable a more in-depth research and formulation of recommendations, Puerto Princesa is taken as an example for the sustainable development of Palawan province.

"Roads less travelled"

One of the real treasures of the Philippines (...) it is a magnificent, coral-fringed range of jungle-clad mountainous island jutting up dramatically from the Sulu Sea. Palawan's world-class diving, snorkelling and jungle trekking make it a must-see destination for nature-lovers and adventure-sports fans (...) We consider Palawan to be one of the most rewarding outdoor-sports destinations not just in the Philippines, but in all of Southeast Asia.

Source: Lonely Planet, 2006, page 406

In the Philippines, the blueprint for tourism development has been the Philippine Tourism Master Plan (TMP). Started in 1989 and completed in 1991, the TMP was developed during a time when 'sustainable development' had yet to reach buzzword status. Thus, nowhere in the TMP can one find an explicit

reference to a policy or philosophy based on “sustainable tourism development (Alampay, 2002).

An important move was therefore revising the TMP that was launched in 1992. The World Tourism Organisation (UNWTO) identified areas of weakness in the Philippine tourism industry such as limited capital for tourism marketing and product development, weak enforcement of laws and regulations regarding sustainability and skills shortages in key areas, especially tourism management (Mintel, 2004). The updated master plan pinpoints ways of overcoming these obstacles and lays out strategies for the industry throughout the next decade.

The Strategic Environmental Plan (SEP) for Palawan is a unique legislation for this province. It provides a comprehensive framework for the sustainable development of Palawan compatible with protecting and enhancing the natural resources and endangered environment of the Province (Sandolo, undated).

The concept sustainable tourism is at the core of this destination research and can be summarized as a concept by which (Jamieson, 2006):

1. Developments are broadly based on community input and control
2. Provides quality employment to its community residents, and the linkage between local business and tourism should be established;
3. A code of practice should be established for tourism at all levels - national, regional and local – based on internationally acceptable standards; and guidelines for tourism operations, impact assessments, monitoring of cumulative impact, and limits to acceptable change should also be established;
4. Education and training programs to improve and manage heritage and natural should be established.

With this research we hope to support the province of Palawan in its future tourism development. The goal is to analyse the ways

of community participation in tourism development in Palawan. This should lead to indications of implementation opportunities for government as well as NGOs aiming to increase the success of their own plans.

This research is executed from the perspective of other tourism organisations. These are defined as:

- Governmental bodies
 1. Provincial Government of Palawan: PGO – Tourism division
 2. Local Government of Puerto Princesa: City Tourism Office
- Palawan NGO Network Inc. (PNNI).

It is recognised that there are numerous other NGOs present in Palawan. PNNI is taken as an example of organisation to represent all NGOs. It refers to an umbrella organisation of 20 Non-Governmental Organisations (NGOs) and Peoples Organisations (POs) that promote sustainable development in different areas covering the entire province, (in) directly linked to sustainable tourism development. The existing definition in Palawan of an NGO is adopted.

Definitions

NGO:

“A private non-profit organisation registered with the securities and exchange commission that has been organised primarily for delivery of various services to the communities and has an established track-record for effectiveness and acceptability in the community where it is serving.”

PO:

“An association of citizens with demonstrated capacity to promote the public interest and with identifiable leadership, membership and structure. Its members belong to a sector(s) who voluntarily band them together. This for their own upliftment, development and greater good. (PCSD, 2005)”.

Based on this definition, commercial facilitating institutions (as water, electricity and energy suppliers, hospitals, construction and security) are excluded. Some of these institutions are not operating on a commercial basis (e.g. police, fire department, hospital) but are under government responsibility. Therefore, these institutions are not neglected during the research.

Methodology

The field research comprised different phases. The first phase was an introductory one. Palawan and Puerto Princesa were introduced during a stakeholder forum. This forum was highly informative and gave a good insight in the current situation and stage of development.

The second phase was focused on the deeper insight in the activities of governmental bodies and NGOs. There is chosen to visit the governmental bodies and the NGOs in the beginning of the field research phase since this research report is written from the perspective of these institutions. In order to come up with an appropriate research for them it was necessary to find out what the topics were that needed to be researched. A minimum of 4 different governmental bodies and 4 different NGOs was set to be consulted. Everyone consulted during this research has been interviewed through a semi-structured interview technique. Use of the semi-structured interview technique makes it possible to anticipate on the answers that are given and it leaves space for the stakeholders' own opinion which could lead to new insights. 3 researchers approach everybody that is interviewed during this research, in order to get a balanced interpretation of what is said and seen.

The next phase focused on the community participation in tourism development. The definition of the concept “community” was agreed upon with consultation of two experts (Platenkamp and Peeters). A community is considered to be composed of the following actors:

Fishermen/boatmen; Women; Farmers; Hospitals; Church; Education; Private sector; shops, accommodations, restaurants, tricycle, street vendors; Guides; Youth; Barangay captain; Security; police, military, security guards.

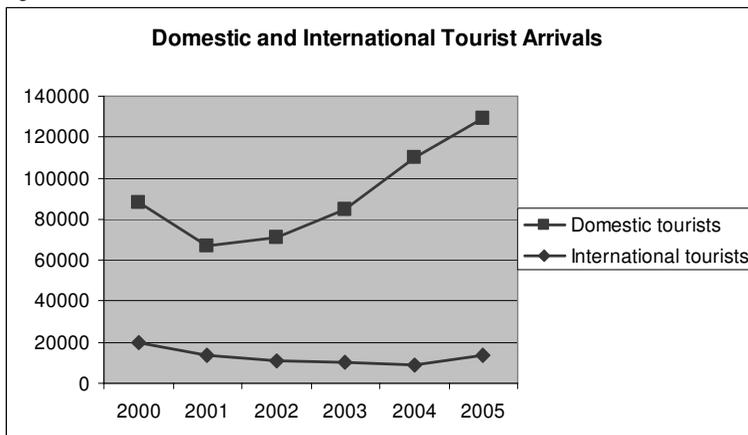
The last phase is focused on turning the acquired data (through desk research and field research) into information in order to write the research report.

Tourism planning & development

This chapter is composed of gathered information during field research on Palawan combined with some existing theories. It analyses the current tourism situation and planning and development approaches on Palawan. In this respect, the main challenges of government and NGOs are described. Regarding the focus on sustainable tourism, the importance of community participation is elaborated upon.

Tourism is a relatively new phenomenon in Palawan. In 1991 tourism arrivals were 7,770. In 2006 147,806 tourists were counted (Sagun, 2007). Domestic tourists dominate these statistics (see figure 2.1). These statistics are from Puerto Princesa, Palawan’s main gateway. The number of total tourist arrivals is therefore expected to be slightly higher, mainly due to small sea and airports in other parts of the island (Buñi, 2007).

Figure 2.1 Domestic and international tourist arrivals in Palawan



Linking these figures to the theory of Butler, the destination life cycle, Palawan can be identified as a tourism destination in its developing stage (Mill & Morrison, 1992). Seen the fact that Palawan has a considerable tourism potential (e.g. in terms of tourism resources), it can be expected that the island will develop further as a tourism destination.

Within the framework of the National Tourism Master Plan, Regional Tourism Master Plans (RTMPs) have been prepared by the Department of Tourism as framework to develop the tourism potentials of each region in order to contribute to the improvement of the local economy and ultimately, for the better quality of life (DOT, 2004). Palawan is divided in two regions: Southern-Palawan and Northern Palawan. For the South a draft master plan is available, the Northern region is currently researched by the Sustainable Environmental Management Program for Northern Palawan (SEMP-NP), a program of the Department of Tourism (DOT) of The Philippines, funded by JBIC (Japan) (SEMP-NP, 2007). Tourism development plans and programs in Palawan strongly emphasise a responsible, sustainable approach.

Government vision

“Develop the tourism potentials of each region in order to contribute to the improvement of the local economy and ultimately, for the better quality of life.”
(DOT, 2004)

Besides governmental plans, there are numerous Non-Governmental Organisations (NGOs) and People’s Organisations (Pos) working on sustainable development of the island, in many areas. In 1991, the mainstream NGOs and POs) in Palawan formed the Palawan NGO Network Inc (PNNI). PNNI visions a self-reliant society that upholds the genuine citizens’ participation, effective management and a better quality of life for all (PNNI, 2007).

NGO/PO vision

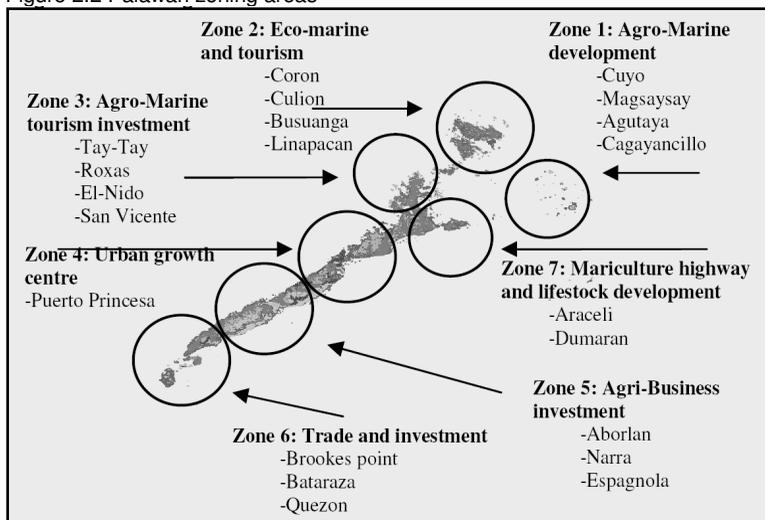
“A self reliant society that upholds the genuine citizens’ participation, effective management and a better quality of life for all.” (PNNI, 2007)

It might be concluded that the government and NGOs appear to head towards the same direction; striving for the same aim. That Palawan is emphasising its sustainable approach becomes apparent in the adoption of Republic Act 7611.

Palawan has adopted in 1992 an act, which is unique in the Philippines. This act (7611) is known as the Strategic Environmental Plan (SEP) for Palawan and is approved by the national government (PCSD, 1992). Every project, program and company has to take this act into account. The Palawan Council for Sustainable Development (PCSD) exercises the governance, implementation and policy direction of the SEP. This governmental advisory body established the Environmentally Critical Areas Network (ECAN), a graded system of protection and development control over Palawan (Pontillas, 2007). This strategy is to cluster different municipalities (based on their common economic strengths, weaknesses, potentials and opportunities) into development zones.

Northern municipalities are mostly focused on the development of tourism. The southern part of Palawan is less focused on the development of tourism (Pontillas, 2007).

Figure 2.2 Palawan zoning areas



From discussions with stakeholders it becomes apparent that knowledge/awareness about and commitment to sustainable tourism are present in a high degree. Nevertheless, there remain some areas where the government and NGOs face challenges. These challenges, as indicated by stakeholders during interviews and observed during the fieldwork, include: project implementation, capital and education/capacities. The implementation of projects is mentioned as the biggest challenge for planning and development institutions. Since the implementation of projects often takes place at community level ('the field'), the importance of community participation in tourism development should be explored in more detail.

Importance of community participation

The host region for tourism development is a vital part for achieving sustainable tourism operations. The host community cannot be ignored and has a complex relation to tourists. People's participation in host communities can occur in different categories: participation in sharing economic benefits, in planning, in implementation and operations and participation in decision-making and management. Within these categories a further typology can be recognised, ranging from passive participation to self-mobilisation (Pretty, 1995). Analysing these categories and typology, participation can range from an individual passive receiving money, to a whole community that mobilised itself to managing a tourism destination or organisation.

A major complexity is the definition of the local community. Often it is referred to as a native community. However, migration and changing cultures made this definition too narrow for Palawan. In this report, the local community of Palawan is defined as 'those who are currently living at Palawan', regardless their native origin.

Boracay: the ideal situation?

Out of interviews with (5) representatives of governmental bodies, (5) representatives of NGOs and (43) Palawēños from different layers of the community, a total number of (20) respondents, spontaneously mentioned the Filipino number one beach destination Boracay as undesired situation for future tourism development on Palawan. Even though interviewees were only asked about their ideal tourism destination, not to mention a concrete example.

Boracay is by various respondents referred to as too crowded: "You cannot enjoy the peace and quietness anymore in Boracay, tourism shouldn't grow that big" and as a place where too many changes took place: "In Boracay you can see that tourism has changed the culture. In every Filipino there is the desire to

become like foreigners in terms of appearance and wealth; Filipinos easily assimilate to other cultures. That has happened in Boracay”.

Apparently, Boracay is seen as an undesired example for tourism development on Palawan. Therefore, Boracay is researched in more detail in order to enable Palawan to prevent the same happening in this province. Puerto Princesa is afterwards used as an example for Palawan.

In order to understand the historical tourism development of Boracay this destination is analysed by means of secondary sources (journals, news papers, case studies). Within the developments, the participation of the local community is emphasised. The levels of participation referred to, are based on the typology of Pretty.

Boracay

Over the last 20 years or so Boracay has grown into a world-class tourist destination. While it was originally a backpacker paradise, giant hotels and sprawling resorts are slowly spreading across the island's landscape.

Source: Mail & Guardian Online

Boracay, ‘Paradise Island’, is an island of approximately 1,100ha. During the 1940s and 1950s the local economy still depended on agriculture, fishing became also an important means of existence. During the 1960s and 1970s Boracay became a popular destination for holidays of Aklan people from Panay. Since the 1980s visitors from other Filipino regions and abroad came to Boracay and in this way tourism became the backbone of the local economy (Nicholson, 1997).

The island is part of the municipality of Malay, the most western of Aklan province (on Panay and has a total population of approximately 12,000 inhabitants. The Ati (also referred to as Negrito) are considered as the indigenous people of the area, nowadays the total population of indigenous people is estimated on 180 (Macaraig, 2006). The number of inhabitants from the

original population has always been small, with frequent inward and outward migration between the island and the Aklan 'mainland' (Nicholson, 1997).

Nowadays Boracay has become a 'tourist culture' and seems to identify itself more as a tourist product than an island community with its own history and culture. Boracay's Master Plan identified the Ati people as a possible ethnic attraction. Although the Boracay-Ati were the indigenous people who have lived for a couple of hundreds years on the island, land has been traded to Ati businessmen (from Panay) since the 1940s when trade (mainly copra) became an important economic activity. Inward migration of traders and settlers from Aklan and elsewhere continued to grow and the Ati communities retreated further into the hills.

How tourism developed

Families from Aklan were the first visitors of Boracay who came for pleasure reasons. Their friends and families were invited next and soon 'paradise' was discovered by many Filipinos, foreign ex-pats in government, international agencies and businesses in Manila and even elsewhere in Asia (Nicholson, 1997).

Tourist arrivals on Boracay

<i>Year</i>	<i>Total arrivals</i>
<i>1985</i>	<i>17,271</i>
<i>1986</i>	<i>26,944</i>
<i>2004</i>	<i>428,755</i>
<i>2005</i>	<i>499,457</i>

Source: Nicolson (1997), Mail & Guardian Online (2006)

By 1975 the island attracted the attention of the government, who had just set up a Department of Tourism, and during the next five years influential families from Manila started to buy land in Boracay. The number of visitors increased, local people started to build bamboo cottages and the island was declared a Tourism Preserve (Nicholson, 1997). Soon, international visitors saw

opportunities on the island and started accommodation businesses too. Visitors were also no longer only backpackers, but a market shift towards up-market visitors (e.g. sugar barons from Negros) was made. In short, Boracay Island theoretically developed according to the classical destination life cycle of Butler (Mill & Morrison, 1998).

Participation of Boracay- Aklan population

Analysing the development of tourism, there were few indigenous Boracaynons participating in tourism. Most accommodation businesses were owned by Aklan people from other regions, mainly Panay. Although these people were not originally the native inhabitants of Boracay, in 1981 the local residents (Aklan community containing Boracaynons and other Aklan people), united and came into resistance to the proposed tourism policy. The government of the Philippines suggested various initiatives to consolidate and control land along White Beach (aimed at displacing local population and creating a 'tourist land').

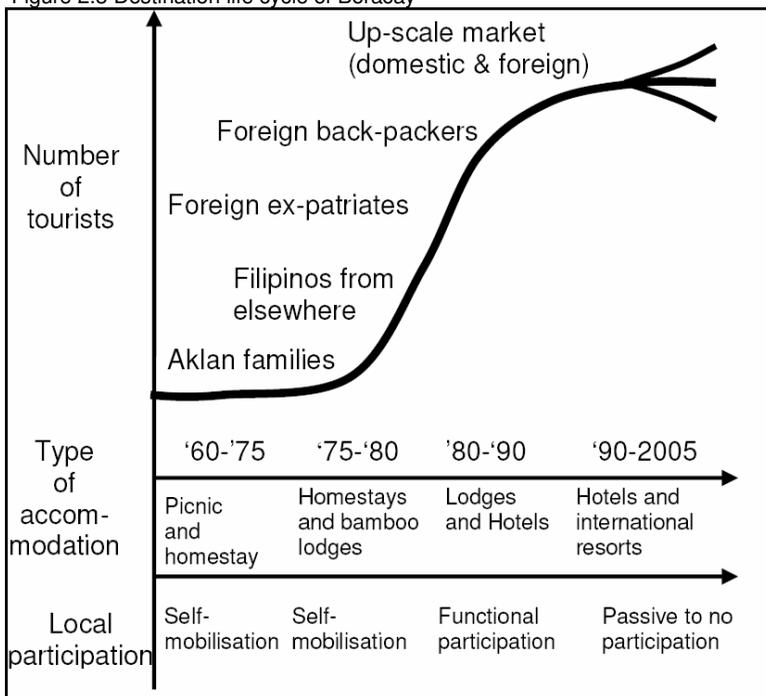
Some people residing in Boracay understood the implications of the Ministry plans and mobilised the whole community: *"There were very acrimonious public meetings with the Ministry of Tourism at that time. Some local people had little education and didn't understand the implications of what MOT was suggesting, but we (group of three local men) made sure it was explained to them"* (Nicholson, 1997). In this phase participation had reached its highest form: self-mobilisation (*"we got together and formed the United Boracay Island Business Association (UBIBA). It was for everyone's interest and represented residents and sari-sari store owners as well as small and large resort owners."*).

At the same time, the power of the government, and later on the power of money of foreign investors (Singaporean, European, South-Korean, etc.), turned out to be too strong.

There are many global examples where the arrival of money and foreign influence in a developing tourism destination can be destructive elements of local participation. With the increased (financial) involvement of foreigners (owning most of the up-scale accommodations) the local people lost power and accordingly

their share in participation in tourism: *“The village (of Boracay’s native inhabitants) is a world away from Boracay’s upscale resorts, with flimsy shacks perched in a muddy field and chickens, pigs and half-naked children milling about”* (Macaraig, 2006).

Figure 2.3 Destination life cycle of Boracay



Although the level of participation might seem as a rather objective subject, ruled by facts and figures, the reality shows that this is not the case. The destination life cycle on this page is composed out of information from various sources (Nicholson, Mail & Guardian). Another article, Governance in context (Trousdale, 1999), based its analysis on the same facts, but with a different interpretation. In this article Boracay is described as “a unique international tourism destination with many of the original

Boracay families, or those who bought land before tourism became popular, still owning small resorts on the island” (Trousdale, 1999). This description is of course true too. There are indeed many lodges owned by people from Boracay, but it is not clear if they can compete against the big resorts with (financial) power.

Interesting is to know what the opinions are of the local community members, more than the resort owners. In short, one can listen to the ‘local voice’. This local voice can be silent, but in (local) newspapers this voice is more or less represented.

In the case of Boracay, these newspapers do agree that there are Boracaynons involved in tourism but not always satisfactory. In 2005 there was a folk rally to protest plans on land titles (again). In this rally the Boracaynons mobilised 3,000 community members to take part in the rally.

One of the benefits of tourism is employment. The amount of total jobs has increased on Boracay, which is a fact. Though, are the local people amongst the beneficiaries? According to the analysis of Trousdale it is, and of course there are plenty of examples of employed Boracaynons. Is the level of participation in tourism in this respect satisfactory? Again, listening to the local voice nuances the objective conclusion. Panay News mentions about an organised job fair providing an opportunity for unemployed Boracaynons and Malaynons, particularly college graduates, to get a job. *“He (the mayor) reminded also Boracaynons: “We are in the tourism business; let us give our best to our guests” for Boracay to keep its position as a key tourism destination in the country. It was noted that most of the resorts/establishments here had employees from outside Boracay or Malay. The job fair hoped to give the natives of the island and Malay a fair chance to land jobs in Boracay”* (Lucas, 2006).

Seen the examples from local newspapers, it may be concluded that local participation in tourism on Boracay is not satisfactory yet.

The case of Puerto Princesa City

To facilitate a more in-depth research to the situation on Palawan, Puerto Princesa is taken as an example. The analysis of Puerto is based on field research (total of 53 interviews) and secondary sources acquired at the destination. The participation of the local community is emphasized, seen its importance to the sustainability of tourism development.

Puerto Princesa, capital of Palawan province, is the biggest city of the Philippines in terms of land surface (253,982 ha). Agriculture, fishing and trade are the main means of existence. During the last decade, tourism is of growing importance to the local economy.

Puerto Princesa consists of 66 barangays (villages) of which 31 are rural and 35 urban. Within the city three indigenous tribes are present; Batak, Tagbanua and Palawan (City Government, 2007). These tribes are considered as being the native inhabitants of Palawan province.

These indigenous people are carefully watched; ample regulations striving for their protection are formulated and their voice is represented in NGOs (PNNI, 2007). Among various institutions, the idea of indigenous people as tourism attraction is a sensitive topic, as experienced during the field research.

Since the 1990s, Palawan has become a popular migration region due to the safe location (earth quake and typhoon free) and its clean and green image (Fontane, 2007).

Tourism Development

The aim of the City Government is to build Puerto Princesa as a model city in sustainable development, with tourism and agriculture as prime economic sectors (City Government, 2007).

Tourist arrivals Puerto Princesa

<i>Year</i>	<i>Total arrivals</i>
<i>1991</i>	<i>7,707</i>
<i>1995</i>	<i>38,107</i>
<i>2000</i>	<i>106,123</i>
<i>2006</i>	<i>147,806</i>

Source: Provincial government Palawan

Under City leadership, the negative impacts of development were dealt with. Puerto Princesa was given the award for Philippines' cleanest and greenest city.

Stories about this transition of Puerto spread over the nation. Filipinos from other regions (Manila, the Visayas) started to visit Puerto Princesa out of curiosity. The establishment of St. Paul's Subterranean River National park as a UNESCO World Heritage Site in 1997 increased the city's attractiveness.

In 2001, an incident at Dos Palmas caused a temporary downfall in tourist arrivals, but domestic visitor numbers recovered as soon as one year afterwards. International arrivals recovered in a much slower pace. Total tourist arrivals increased annually, reaching almost 150,000 in 2006, with an 88% share of domestic tourists. Compared to 1991, total arrivals increased by 21 times in 15 years. With a current physical carrying capacity of 853 rooms per day, an average length of stay of 2 nights (SEMP-NP, 2007) and an average room occupancy of two persons it can be calculated that 47% of the current physical carrying capacity is used.

At the same time, Korean, American, Canadian and Chinese markets developed as the main generating countries for international visitors. It must be considered that a large amount of current visitors can be categorised as Filipino 'ex-pats' (Balikbayan). The importance of this market is recognised by the department of tourism, reflected in their 'Friend Philippines

Programme', aimed to mobilise the Balikbayans to spread the good word about their home country (Travel Weekly, 2006).

Theoretically, Puerto Princesa can be identified at the early stages of Butler's tourism destination life cycle (Mill and Morrison, 1992). The numbers, market origin and small-scale development can be seen as the main indicators for this. Though, growth can be expected taking the global and regional forecasts into account as analysed in WTO's Vision 2020 (WTO, 2000). Domestic market is expected to grow even more rapidly (WTO, 2005 and Mintel, 2003).

Community participation

Puerto Princesa is currently part of the Southern Palawan Master Plan, as designed by the Department of Tourism. The City Tourism government is active in Puerto Princesa in order to increase the number of tourists with approximately 10% each year (Buñi, 2007).

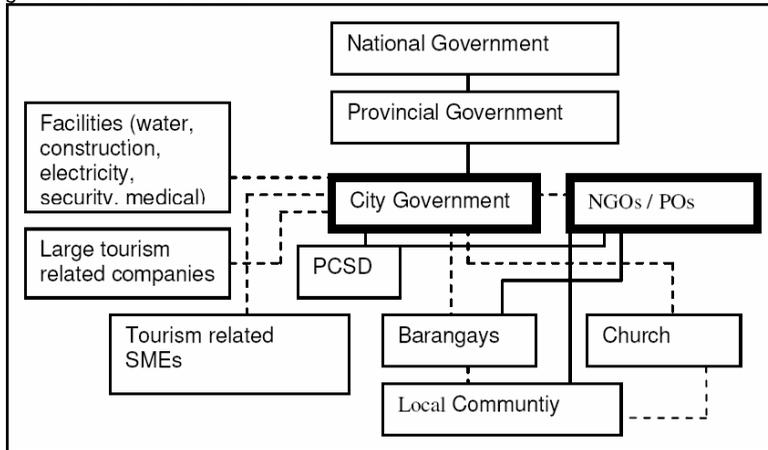
The City Government indicates that it consults all relevant stakeholders during a planning process. This consultation can be categorised in the first three levels of Pretty's typology of participation, being rather passive forms of participation. This type of participation is visible in the field, a Barangay captain of one of the Barangays along the flight route of landing airplanes was aware of the plans for extension but is not in the situation of having any influence on this; *"I know, but we have no choice. It is decided. Same with the Baywalk, the plans were already made. I just inform my people."*

The NGOs and POs are closely connected to the community, with a higher level of participation including functional and interactive participation (level 4-6 of Pretty's typology). However, due to their specialisation in subject (environment, indigenous people, etc.) the projects seem rather isolated from the official tourism plans.

Figure 2.4 shows the stakeholder involvement in the implementation (and operation) of tourism plans and projects by

the City Government and NGOs. The involvement is visualised from this specific perspective. The different lines indicate the level of involvement; a dotted line for passive to consultation level and a thick line for interactive participation.

Figure 2.4 Stakeholder network of plan and project implementation by government and/or NGOs



From various community levels (e.g. fishermen, youth, church), a very positive attitude towards tourism, tourists and tourism growth is noticeable. This combined with the experience of daily encounters of the host population with foreign visitors, this attitude can be described as 'euphoric', the first level of Doxey's irridex (Doxey, 1975).

The main motivation for participation in tourism can be found in the expected economic impact: *"We want lots of tourists, more tourists, more business. That's good for the people here."* This aspiration of becoming involved in tourism is unsurprising in relative impoverished local communities (Goodwin, 2002). A considerable number of people, participating or not participating in tourism, are not driven by economic motives solely, but recognise the risks of unacceptable changes to occur. Limits of change were mentioned with reference to environmental

consequences: *"Tourism can only grow if it will not damage the environment"*; as well as more social implications: *"Business is nice, but not if it gets too crowded"*. Opportunities for personal development are also indicated: *"I like it most that I can learn to speak English"*, *"With the money I earn here (in Sabang), I can go back to school again, to finish my studies in criminology"*.

The environment, the community, the economy and...the tourists!
Participation of one or more individuals within a community is not only beneficial to the direct-involved persons, but benefits trigger down to other community members. One of the community-projects in Puerto Princesa that is known as a success story is the in 1997 initiated project of the Honda Bay Boatmen Association Inc. (HOBBAI). Currently, there are 29 members, all together 43 boats and 60 employees (Saycon, 2007). *"Not only the boatmen benefit of the project, but the whole community. With the increase of money, more things are bought, like vegetables and other things in the local shops"* (Saycon, 2007). Younger community members witness these changes too: *"People are buying more and more things for their homes, like electric things, and they are dressed more nicely"* (Normi, 2007).

An extensive multiplier effect (direct, indirect and induce income with no or limited leakage) can be regarded as an indicator for sustainable tourism. But, managing the project and evaluating its impacts, might not be enough to sustain a tourism project. Marketing plays a vital role in sustaining the project; visitors are a critical success factor to sustainability. Moreover, decisions in tourist types (domestic, international) can be made by the project and influence the level of sustainability heavily.

Surprisingly, marketing seems to be ignored in all locally acquired documents (tourism plans, project descriptions, etc.). In the field, people seem not to be aware of the possibilities of marketing either. The new package tour by the Palawan NGO Network Inc is developed from a product-oriented approach.

Since the subject of marketing is so often neglected, the question pops up if it is on purpose or due to a lack of awareness. Reactions during interviews on marketing related questions do suggest that it is overlooked without purpose: *“We have no idea who would be interested in such a product. We have never thought about that”*.

Many of the community-based projects that are visited face challenges in marketing too. The projects are often initiated with support of NGOs, funding agencies or government and eventually managed by the community. Despite the efforts these people put in it, there is one thing lacking: visitors. *“It’s like gambling. We just sit here the whole day, waiting for customers. Sometimes we wait for nothing”*, as expressed by ‘Lady Mangrove’. Attempts to solve this problem are made, though small-scale; befriended hotel owners are asked to recommend the activity. Promotion on a larger scale requires knowledge *“We used to have brochures, that helped. But when the funding stopped, the brochures were gone. We don’t know how to get these again”*. The issue of marketing is earlier recognised in literature; *one of the major difficulties confronting these local communities (around the National Park) is of encouraging the day excursionists to stop along the road to visit local communities and spend money there* (Goodwin, 2002).

Sustainable tourism does include maximising the positive impacts, minimising the negatives in order to enhance the natural resources for future generations, true, but one critical success factor should not be overlooked: the tourist.

Sharing experiences

It is useful to analyse what the critical factors were during the development process on Boracay and how Puerto Princesa can avoid making the same mistakes. Decisions about planning and development on Boracay are taken without careful listening to the local voice. The fact that local community has mobilised itself seemed to be ignored, economic revenues came first.

In Puerto Princesa, the government is aware of the importance of community involvement, reflected in the fact that the community is consulted (figure 2.4). Though, also in Puerto Princesa the conflict between community benefits and economic revenues is present. The government supports a project as HOBBAI to stimulate community participation, but at the same time it also allows a private company to own Snake Island, one of the remaining destinations of the HOBBAI island-hop tour. In this way, HOBBAI loses part of their product, and market, again.

It could be seen as the government's responsibility to formulate the priority areas and explore the opportunities for solutions. Incidents like this may then be avoided if the level of participation increases towards a more active type of participation, instead of consultation only.

In Boracay it was not foreseen that tourism would grow to such an extent. Puerto Princesa is experiencing the same phase as initially in Boracay, seen the presence of simple pensions and tourist inns and the lack of 5* hotels. Puerto is, conscious or not, gradually moving towards a changing tourism supply, meeting the needs of more up-market demand. Dos Palmas is already a relative exclusive resort and discussions are ongoing about high-standard investments, indicating an inevitable change in type of tourists. In order to avoid undesired development like in Boracay, the government has to become aware of which markets they want to attract and what product-market combinations are most desired. The market in this respect should be specified in; demography, culture, social aspects, geography (Kotler, 2002). By making these decisions about markets beforehand, Puerto Princesa can prepare itself more adequately towards foreseen tourism growth.

In case of tourism planning and development Puerto Princesa has already a good structure. The fundamentals for a sustainable planning and development approach do exist. In that sense, Puerto has an advantage compared to Boracay in its initial phase. Sustainability is not a one-time activity, but a dynamic

process continuously adapting to changing circumstances. Puerto Princesa has the ultimate chance to intensify its sustainable framework to truly become a model in sustainable development.

Recommendations

As tourism is expected to grow in the coming years, the importance of health and safety issues increases for the tourists. It is recommendable that destinations ensure safety and security as an integral part of their planning and operations.

Palawan/Puerto Princesa seems to be especially vulnerable to this issue. The island has been confronted with incidents in the past that still have their effect on today's image. Solving this issue is a long process, and requires cautious action. Tourists (especially international) want to feel secure, not only from theft and crime. They need to feel safe about a destination's ability to deal with any problem that may arise. Often this refers more to a feeling, a "sense" of security and safety, rather than tangible safety measures. In order to create a sense of security measures, the following recommendations refer to additional measures that could be implemented.

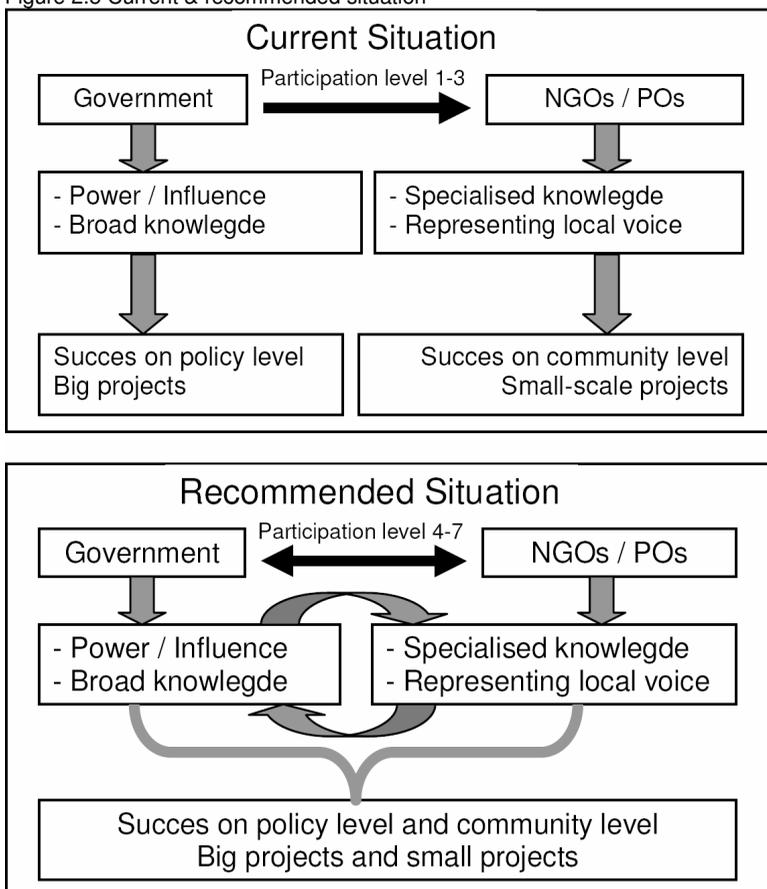
Recommendations are developed based on the field and desk research conducted in The Netherlands and Palawan. Recommendations are given to the government of Puerto Princesa, but apply to the whole island of Palawan.

Use each other's strengths

As mentioned before the government is aware of the importance of involvement of all stakeholders. The imbalance between the stakes of the stakeholders may be avoided if the level of participation increases towards a more active type of participation, instead of consultation only. At this moment the level of participation is on a level of 1-3 of Pretty's typology. It is suggested that this increases towards a level of 4-7. In order to reach this, a number of success factors are defined. Cooperation

between government and NGOs: government and NGOs are working towards the same goal; a better quality of life through sustainable tourism development. To increase the effectiveness and efficiency of both institutions it is necessary to improve the cooperation between each other. In this way the different strengths of both institutions can be used to a maximum. This is visualised in figure below.

Figure 2.5 Current & recommended situation



Public private partnerships among government and NGOs/ POs are seen as the cornerstone of success in tourism planning and development. These partnerships bring together many different sets of ideas, points of view and contributions of various kinds, whether financial, social or political in nature that help to achieve a successful strategy (Jamieson, 2006). The links between the government and NGOs/ POs already exists. It is therefore only a matter of intensifying these linkages. Regular meetings with same representatives are a way to do this. Note that both parties have an (almost) equal voice in the decision making process. Intensified contact will shorten the communication channels.

Develop capacity building programmes within the community

The community can be encouraged to learn and master the skills required to manage special tourist sites, including natural, historic, cultural or folkloric settings. At the same time, education and consultation programs for tourism in the area help the host community understand the pros and cons of tourism and prepare the community to accept its role as host, to assist and welcome visitors (Jamieson, 2006). The host community of Puerto Princesa is in the first stage of the irridex, being euphoric. With the growth of tourism it is likely that this positive attitude will fade. Preparation of the community on tourism growth, as said before, can minimise this negative impact. The government and NGOs are already active in training and educating the community. Education programmes that are planned are focused on guiding, craft training, livelihood training, cultural awareness and tourism awareness. It is suggested that the following subjects are included in the training programs to make them more in depth.

- Different types of travel (backpacker, individual, group etc.)
- Different tourist/ markets (nationalities, families, students, couples etc.)
- Travel motivations (adventure, relaxation, family purpose, business etc.)

These three subjects all have an influence on the way tourists have to be approached and how businesses have to be run.

Basic business skills (e.g. business administration and marketing) are therefore also important to be included in the trainings. Already existing registration efforts can be used to analyse the current markets. Every attraction holds registration book. By counting the nationalities and the type of groups it can be analyzed if there is a specific target group. The product can be adapted to the needs of this identified target group, which will increase the economic benefits of this product.

Choose your visitors

In order to promote sustainable development, the city of Puerto Princesa is focussing on the three components of environment, the community and economy. In this development ambition, it appears that a major stakeholder is overlooked: the tourist.

The type of tourists as a stakeholder influences the destination as a visitor contributing to the economy and environment positively as well as negatively.

Destinations like Puerto Princesa are in the position to make choices when it comes to tourism market segments. At the right moment it can be decided which type of tourist and/or market should be attracted. Besides nationalities tourists/markets can be diversified in different characteristics:

Demography: age, gender, family size, etc.

Culture: life style, religion, etc.

Social: education, life style, occupation, income, status, etc.

Geography: nationality, climate, landscape, etc.

Choosing a specific market has consequences for the destination, the product, the sustainability and the promotion. Backpackers require for example low quality facilities, spend relative less money in the destination are rather difficult to control and have a relative bigger social/ cultural impact on the destination. Another example is that experienced group travellers require large scale facilities, high standards of service to meet their high expectations and are relative easy to control because a group is rather passive. Economic benefits are relatively high.

Regarding the global trends to search for those types of tourists within the domestic and/or regional markets (Japan, Korea, Taiwan, Hong Kong and China). These existing (target) markets for the Philippines are easier and economically more attractive to focus upon. Moreover it is the domestic market, followed by the regional markets which are expected to grow most.

Focussing on these markets has consequences for promotional efforts. When is decided which markets are most desired to attract, comprehensive market research has to be conducted, exploring the needs and wants of the different markets. Some promotional efforts with relatively low required investments but with a high effect are described below.

Improve Infrastructure facilities

At this moment the current state of the infrastructure resembles the current image and tourism product (adventurous and rough) of the destination. It is also a selling point for the destination. With the growth of tourism however, more and different tourists will come to Puerto Princesa. This will lead to a more up-scale demand for infrastructure. Comfortable roads, sufficient power supply, enough water and efficient communication (internet, telephone) are required. The level of requirement depends on the target market that is chosen to be attracted.

Development of promotion material

A brochure can provide information on where to go, what to see and why those places and activities are significant to the community. Hotels, restaurants, tour companies, visitor centres and museums can distribute brochures. They can be designed to include different types of information, including guidelines for behaviour and politeness, tailored for specific events, such as festivals or dance performances or even for an individual site.

Brochures should illustrate and support the theme and objectives of a marketing plan. It is of the utmost importance to know what the target markets wants and what they find interesting. To serve the different markets even more a brochure can be produced in different languages.

Internet marketing to bundle forces

There are at this moment different official websites about Palawan. These websites offer a good opportunity to bundle forces in order to achieve increased benefits for all. One website is suggested since this is less expensive, more effective and more efficient. The government is the most appropriate institution to initiate this project, establishing partnerships with NGOs/POs and private sector. More effort can be put in this single website which has to contain, among others, the following elements.

It is suggested that a website is designed for the different target markets. This website offers information in the languages of these markets. Information that is offered on the website can be adapted to the needs and wants of the different markets.

It is suggested that a website offers a variety, if not all, information on tourism supply. A diversification can be made in community based projects, attractions, businesses etc. If possible a linkage to another website (for example of a hotel) can be provided. A basic element of a website is general information for the tourist on what to expect. Information can be provided about the vulnerable nature, the local people and the quality of facilities. Also information about health and security issues is important for the tourist to know. Providing this information could decrease the negative impacts.

Develop public services: Fire Department, Police and medical facilities

These facilities are paramount. This includes for example doctors or police that can speak the tourist language are trustworthy and sympathetic. If problems do arise for tourists, a lack of preparation on the part of the destination will make it seem decidedly less tourist friendly. After meetings with police/security officers and with hospital presidents it became apparent that the fundamentals (language, trustworthy and sympathetic) are already present. Quality increase of the actual facilities is however suggested '*I have 50 beds but at this moment I have 149 patients, I can not meet international standards*' as the Director of the government hospital explained.

Next to these tangible measures communication is crucial. The unknown is frightening; honest, straightforward information will reassure the tourist about what is and is not safe in a destination. For example the security in Puerto Princesa is visibly present, in almost every establishment. A tourist may experience this not necessarily as safe but will question what the reason is for all this security, a threat may be felt. Communication may solve this misunderstanding. Also basic information about emergency numbers needs to be communicated to the tourist.

3 SMEs and tourism development in Puerto Princesa

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Introduction and goal

This report presents the result of a research conducted in Puerto Princesa, Palawan by four students in the Master Course of Tourism Destination Management at NHTV Breda University. The report is written from the perspective of small and medium sized enterprises (SMEs), which includes micro businesses.

The objective of this research was to reveal the opportunities that SMEs have to take part in the present and future growth of the tourism industry, and how they can pursue these opportunities in ways that will be both financially and environmentally sustainable. The City Tourism Office (CTO) of Puerto Princesa has defined a common framework for all individuals, companies and other organizations that wish to operate in the tourism industry in Puerto Princesa. It states that:

“Sustainable tourism promoted in the City of Puerto Princesa and developed to a competitive level with other domestic and international tourist destinations.”

In line with this goal, the following goal has been defined for the present research:

“To reveal which challenges SMEs face in light of the tourism developments in Puerto Princesa, and how they could pursue opportunities in ways that will be both financially and environmentally sustainable.”

For defining the target group for this research, we take the latest definition for SMEs in the Philippines as a starting point.

Table 1 Company categorization by assets and employment, 2004

	Assets Php	Employment
Micro	< 3,000,000	1 – 9
Small	3,000,001 – 15,000,000	10 – 99
Medium	15,000,001 – 100,000,000	100 – 199
Large	> 100,000,000	> 200

Source: Department of Trade and Industry, 2004

As for SMEs in Palawan and Puerto Princesa the mentioned values of assets per category are too high, this definition is not considered to be applicable for this province. For this reason, after interviews it was decided that the definition used by the Department of Trade and Industry in 1990 was more applicable (table 2).

Table 2 Company categorization by assets and employment, 1990

	Assets Php	Employment
Micro	< 500,000	1 – 9
Small	500,001 – 5,000,000	10 – 99
Medium	5,000,001 – 20,000,000	100 – 199
Large	> 20,000,000	> 200

Source: Department of Trade and Industry, 1990

For achieving the described goal, a distinction has been made between opportunities for the short (3-5 years) and long term (10 years). The following research questions have been put forward:

- What is a relevant definition of tourism related SMEs in Palawan?
- Which issues and constraints are SMEs dealing with?
- Are there any co-operations between SMEs, large tourism companies and the government and if so, which ones?
- What are the current options for SMEs to seek finance?

- Which services and products can SMEs develop within the economical and environmental framework, divided into short term and long-term development?
- How can these product and service developments be financed?

Background analysis and context

In Puerto Princesa, SMEs are supporting the tourism industry in every single aspect of its value chain. They supply food and beverages, offer small-scale accommodation and arrange the transportation to and from other regions of the island. When the CTO considers developing tourism in a sustainable way, it is essential to come up with a plan including support to SMEs as an integral part, facilitating that this sector will develop according to the tourism demand, benefit from tourism receipts and is capable to meet with environmental rules and regulations.

SMEs are comprised of micro, small and medium sized enterprises. Although in general the contribution of large enterprises to the total output and turnover of a country or region is quite extensive, SMEs are both economically and socially important. In developed regions, such as the European Union, two-thirds of all jobs are supplied by SMEs. In developing countries, SMEs have even greater importance.

Tourism SMEs are responsible for a considerable proportion of the economic production as well as providing employment to a large percentage of the local population, especially in peripheral and insular regions (Buhalis, 2006). SMEs can cater more efficiently to niche markets and provide more personalized services to customers. They use local resources and manpower in larger extent than big industries. They also help to preserve and promote the local culture and identity for example by using local materials and techniques. SMEs in the tourism sector have several advantages and disadvantages, affecting their competitiveness and growth. A list of these is presented in table 3.

Table 3 Strategic advantages and disadvantages for SMEs in tourism

Strategic advantages for SMEs in tourism	Strategic disadvantages for SMEs in tourism
<ul style="list-style-type: none"> • Independent nature and more flexibility • Niche market advantages • Personal relationship with enterprise stakeholders • Family involvement which makes more flexible use of human resources • Entrepreneur's motivation 	<ul style="list-style-type: none"> • Lack of economies of scale that make cost of production higher • Lack of financial sources • Lack of efficient planning • Use of traditional methods • Lack of management skills

Source: Buhalis, 2006

Globalization and growth of multinational companies are limiting the scope of operations for tourism SMEs. It is therefore essential that SMEs cooperate amongst themselves, increase their market capabilities, and develop entrepreneurial skills and systematic planning in order to achieve long-term competitiveness (Buhalis, 2006). In order to contextualize tourism developments in the City of Puerto Princesa, a brief overview of tourism in two other geographic areas, Northern and Southern Palawan is presented.

Northern Palawan

The focus of the Provincial Tourism Office is on the three tourism development zones in the north of Palawan: Busuanga, Coron and El Nido. For this report a brief study of the situation of tourism development and SME involvement in El Nido is included to see if lessons can be learned and later applied to Puerto Princesa.

The case of El Nido

El Nido has a population of less than 50,000 inhabitants. The area is perhaps best known for the luxury resorts on two of the islands in Bacuit Bay, but there are also options for the budget traveller. Most small accommodations are located in El Nido Town, whereas large, luxurious resorts can be found on the

nearby islands (Palawan Tourism Council, 2004). Approximately 75% of the visitors go directly from El Nido airport to one of the big island resorts, and usually spend no time and money in El Nido Town.

The majority of the visitors are foreigners. Even though there are less visitors in El Nido than in Puerto Princesa, there are more types of activities clearly displayed to tourists, such as island hopping, swimming, snorkelling, diving, paddling and kayaking, hiking and trekking, mountain biking, rock climbing, bird-watching, sailing, mangrove tours and fishing.

In El Nido, like in Puerto Princesa it is not allowed to build within 30 meters from the high tide line. Despite this, many buildings (shops, accommodations, dive school, houses, restaurants, etc.) are within this area. Currently, during high tide, a very narrow strip of beach remains. In some parts of town, there is no beach left, as construction has reached the water.

The response of Mr. Arvin L. Acosta, Tourism Operations Officer in El Nido: "It will be most ideally if buildings were to be built 30 metres from the shoreline, which is still the future plan. Today we failed in implementing this, but tomorrow we start again to clean up. In the Tourism Office we do not have the power to change something on this, but we are discussing it in the board right now", was Mr. Acosta's comment. According to him, El Nido is a long way behind Puerto Princesa.

The case of Southern Palawan

The southern part of Palawan is predominantly an agricultural region, popularly known as 'the food basket of Palawan'. Further south from Puerto Princesa, there are eight municipalities. Agriculture, mining and fishery are the main source of income and tourism is only seen as an additional source of income. Though the south has some nice natural and historical sites, these are not well promoted.

The reasons for the small numbers of tourists in this region are:

- Focus of government on agricultural and mining activities
- More priority is given to Northern Palawan
- More known tourist spots in the north
- Bad condition of roads, resulting in long travel times
- Lack of tourism facilities

The Southern Palawan Tourism Master Plan (2005) was introduced to develop this area, but implementation up till now, has not been very effective. The Department of Tourism has formulated plans for future tourism development in this area. Investments in infrastructure, proper tourism product development and marketing are required for the successful development of tourism in this region.

Research findings

In the Philippines, SMEs are defined as “any business activity or enterprise, engaged in industry, agri-business or services, whether single proprietorship, partnership, cooperative or corporation whose total assets, inclusive of loans but exclusive of the land on which it is situated, must fall under the categories of number of employees and assets as mentioned before (Ronquillo, 2003). About 99.6% of the businesses in the Philippines are considered as SMEs, the vast majority of them are micro-enterprises.

The government acknowledged the important role of SMEs in the Philippines, mainly because they contribute to employment generation. To encourage SMEs, The National Government created a special law for small enterprises.

SMEs in Palawan in general, and in Puerto Princesa in particular, have an important role in the tourism industry. As tourism was identified by the local government as one of the two main industries (together with agriculture), the private sector is expected to develop new tourism facilities and products to cater

to the needs of future tourists. SMEs already have a direct effect on tourism, as they operate accommodations, restaurants and bars, shops, tour and travel agencies and transportation, all catering to visitors. In addition, SMEs contribute indirectly to the tourism industry as suppliers of fresh products to hotels and restaurants, and handicrafts to the souvenir shops.

SMEs in Puerto Princesa are affected by the same conditions defining the overall business environment, which are created by local and national governments. Learning from the interviews held with owners of SMEs and from desk research, the two main constraints for SMEs are:

1. Difficult or no access to capital
2. Poor public infrastructure and deficiencies in public services (Ronquillo, 2003).

There are a few general difficulties that affect both SMEs and larger businesses in Palawan.

Infrastructure

Infrastructure, mainly roads, is not well developed yet. In many areas there are no paved roads. Construction works to improve major roads connecting Puerto Princesa to other municipalities are currently taking place as part of the provincial and municipal plans. Yet, the works take a long time, and still many of the roads are not included in the improvement plans.

The lack of infrastructure affects the daily operations of businesses. For farmers or producers of fresh food products, for example, this situation creates a constraint on their ability to expand their business, as there is no efficient system to keep their products cool for the long time it takes to get to another municipality. Other infrastructures that are not well developed are landline communications and electricity supply. These elements also keep back internet access and ATMs. It is important to mention here that the situation in Puerto Princesa is much better than on the rest of the island.

Business climate

On a more positive note, the overall feeling of security in Palawan is relatively high. All SMEs and other stakeholders interviewed mentioned that they feel Palawan is a very safe place to live and work, and that the atmosphere is better than in other places in the country. The provincial and municipal governments' policy to make the island the cleanest and greenest in the country is highly appreciated by the local residents, who stated that this makes the island attractive to visitors and residents alike. Most of them mentioned that they are involved in some kind of environmental protection activity, such as waste management, led by the municipality.

Government control over planning

In The Philippines, municipalities have the authority to manage their own policy. As a consequence, some municipalities have different rules when it comes to promoting tourism than others. In addition, development plans, mainly prepared at the provincial level, lack consistent implementation scenarios. The path of implementation relates mostly to the relative power of the actual mayor in charge of the individual municipalities.

In Puerto Princesa, the City Government is considered by most interviewees as being comparatively well in control of development. While poor infrastructure, general business climate and governance factors may affect larger companies as well; there are some elements that cause more specific difficulties to SMEs in Palawan and in Puerto Princesa.

Low levels of economies of scale

As production and service processes in most SME occur manually or with low levels of technology, they are unable to reach economies of scale. This difficulty tends to make SMEs less competitive. The option of expanding their business is often limited, because of lack of capital, limited managerial skills, lack of information about potential markets and sometimes, insufficient standards.

Weak managerial and technical skills

Limited managerial and technical skills also form a constraint to SMEs. Palawan State University offers a degree in tourism, however, out of about 300 enrolled students, less than 20 actually graduated (Palawan State University). Among graduates, many choose not to stay in Palawan. While most SME operators have basic education, managerial skills and business education is still missing. Almost all of the SMEs interviewed reported that they do not get any kind of financial help from the government, and that the government could provide better assistance or education for SMEs on business management.

Lack of access to technology

Another drawback is limited access to technology and equipment, due to lack of capital. Many of the SMEs cannot afford to buy new equipment, or to upgrade existing facilities. In some cases, SMEs are not aware of the existence of newer technologies and they keep on using old and less productive tools.

Weak marketing skills

Lack of marketing skills is identified as another factor that makes it difficult for SMEs to grow. Like with managerial skills, there is a need for education and training on marketing tourism related SMEs and the supporting small businesses. SMEs could market their products better if they would get to know what the visitors are looking for. Now, there is no specific marketing plan led by the municipal or provincial government, which makes it difficult for SMEs to adjust their products to the future visitors.

Lack of access to credit

Financial institutions in Palawan are either national commercial banks, which mainly cater for the medium to larger companies, or rural banks, which are suppose to cater for the smaller sized enterprises operating in the rural areas. In all cases, collateral is needed, the rural banks have limited capital to lend and pose severe requirements to loaners. One of the requirements is presenting a business or feasibility plan. In some cases, SMEs or entrepreneurs on their starting point do not know how to prepare

these documents. The high collateral needed and the high interest rates also keep many SMEs away from the banks.

The other option for credit for SMEs lies at informal moneylenders and private lending companies, or friends and family, pawnshops and cooperatives. Both private lending companies and pawnshops tend to have very high interest rates for very short-term loans. Cooperatives seem to be a better solution, as they offer lower interest rates on loans, and have fewer requirements on collateral. However, they provide loans only to members of the cooperative, usually agriculture or fishing related, mainly based on personal acquaintance. Most of the SMEs interviewed for this research, said they borrowed their initial capital to start a business from friends, or they used their own savings. It is estimated that only 20% of the small businesses and about 30% of medium size companies have access to formal credit institutions (Ronquillo, 2003).

Another option to get access to capital is to form a partnership with a foreign investor. Foreigners are allowed to take a share of up to 40% of a business in the Philippines. While the interest of foreign investors in Palawan is increasing, not many SMEs use this option. There are, however, some private initiatives, for example a local company that is trying to connect local SMEs to potential foreign investors or business partners, for a commission. Recently, the city government of Puerto Princesa published an investment guide, aiming to attract foreign investors. This is a positive initiative, although it seems that the main focus is to attract large-scale companies. Most SMEs in Palawan do not have the tools or the knowledge to look for foreign investment opportunities.

Institutions involved in SMEs support

In this section, an overview is presented of the main institutions involved in the creation and development of SMEs in Palawan. This is by no means an exhaustive list and could be improved as will be stated later on.

Credit institutions

Aside from the informal lending institutions (pawnshops, lending companies and cooperatives), five banks were listed as SME friendly by the Entrepreneur Philippines, 2000: Development Bank of the Philippines, the Land Bank of Philippines, Consumer Saving Bank, Metro bank and Planters Development Bank. The first two were also mentioned by Puerto Princesa's DTI office as recommended for SMEs. All of the above require sufficient collateral.

There are other governmental institutions involved in SME credit programmes: The Technology and Livelihood Resource Centre, and the Department of Science and Technology. Both offer some financing for small businesses with technology-oriented operations. This might be relevant for Internet cafes or manufacturers of souvenirs that need to use more advanced machinery. The Small Business Guarantee and Finance Corporation offer loans to small businesses as well.

Registering and Permits issuing bodies

The DTI is the first stop for any new business to register the company name. The registration is valid for five years, before it should be renewed. In Puerto Princesa, the DTI office provides counselling for SMEs on the basic procedures to start a business and on how to market it. DTI also has some assistance programmes for micro businesses, mainly involved in agriculture and small-scale manufacturing (e.g. handicrafts). The assistance does not include financial aid, but only guidance and basic account management training.

The Technical Education Development Authority (TESDA), and the Technology and Livelihood Resource Centre (TLRC) also

offer technical training. Out of all the interviews, only one souvenir factory manager mentioned that she used assistance and training from the governmental agencies. However, this one person used to work for the DTI, and therefore was probably more aware of the possibilities offered than other SMEs managers. If the SME is going to hire additional workers, it must also register with the Social Security System. All businesses have to register at the Bureau of Internal Revenue (BIR) in order to pay their taxes (DTI – go into business guide).

In addition to all these bodies, every business has to register at the local municipality to get a “mayor’s permit” to open a business. In Palawan, any kind of larger scale development, which usually refers to new accommodation of more than 50 rooms, requires additional clearance from Palawan Council for Sustainable Development (Provincial Tourism Office). This clearance is granted after the business development plan has been checked to be in accordance with the provincial and municipal development plans. However, as this clearance is only required from larger accommodations, SMEs in Palawan are not familiar with this permit. On one hand, this makes the authorization and registry process quicker for SMEs, while for the larger businesses it can sometimes take up to one year, according to the provincial tourism officer in Puerto Princesa.

Case studies of three SMEs

In addition to interviews with tourism planners from the municipal and provincial government, SMEs and other stakeholders, an in-depth study on three different SMEs was conducted. The SMEs chosen were a small accommodation, restaurant and handicraft factory. The three different businesses represent different kind of products, but also different kind of initial investments. The accommodation SME is an example of a small business, which needs more initial capital to begin with than the others. The restaurant example could be applied to other service SMEs, who can start with relatively low initial capital. The factory case could be an example for micro entrepreneurs, who can operate on their

own with almost no initial capital, but can also unite to form a cooperative and form a more organized SME.

Small Scale Accommodation

The accommodation sector in Puerto Princesa area is concentrated, like all other tourism facilities, within the city centre. There are 58 accommodation facilities in Puerto Princesa city, only three of them are considered large hotels, the rest are all small to medium sized inns and pensions. Only 25 additional lodgings can be found in Southern Palawan, while there are about 70 in the north of the island (Discover Palawan).

The increasing number of visitors creates a growing demand for rooms, and many of the small inns around the city are often fully booked. The manager of a Traveller Inn identified the opportunity in this industry when he decided to open the small inn consisting of six rooms in the centre of town in 2005.

He was born in Puerto Princesa, but when he was eight years old he moved with his family to Manila. Some of his family stayed in Palawan. He had an office job in Manila in the past few years, and then got to a point in his life when he had to choose between continuing a career as a hired office worker in Manila, and being his own boss back in Palawan. His family already owned a piece of land in the centre of town that was not used for any purpose. The property was about 880 square metres, which seemed suitable for a small accommodation. Since the initial budget was limited, the accommodation was built over a small area of 300 square metres.

To lower the costs, the materials used for the construction were mainly native materials such as bamboo and rattan, which are less expensive than concrete. "We thought that it would be cheap, but in the end we still had to use some concrete and steel." He had no previous experience in construction or tourism. In addition to the building costs, he also had to pave the way from the main road to the entrance of the inn, as it did not exist. In total, it took one and a half years to complete the project.

The original budget for the project was about two million Pesos, but by the time the works were finished, the expenses got to nearly four million. The capital for the investment was gathered from the family. "It was a good thing that we did not have to go to the bank for a loan, because the interest rates are so high, and we would probably be paying all of our profits back to the bank for a long time. This is also why it is good that we had the land, because if we had to lease it, we would have to pay the landowner on a monthly base. In Puerto Princesa, less than 10% of the accommodations lease the land, all the others own the property they operate on. It is simply not going to be profitable otherwise."

He described the formal procedures he had to go through to start the business, saying there were many requirements, but in general, it did not take too long. First, he had to secure a building permit from the municipality, after he had to make sure that all his personal and land taxes were paid. He had to present the blue print of the inn, as well as the plumbing and electricity plans. Then he applied for temporary electricity connection for the construction phase. After the construction was finished, he had to apply again for the permanent connection from the electricity company. In order to get that, he was required to buy a transformer for the inn. Another permit that he had to apply for was the business (mayor) permit at the City Hall. He was also required to get health care and social security for the employees. He also had to grant the employees the minimum rate set in Palawan, which is about Php 230 for eight hours of work. In Manila, the minimum wage is over Php 400, as it is set separately for each province. Additional permits were the sanitation permit from the City Hall, and the business registration at the DTI.

He did not have any contact with the Palawan Council for Sustainable Development for any kind of permits for the development of the inn. The only time he had to get a permit for an environmental related issue was when he had to cut down two trees. He applied for this permit at the DENR (Department of Environmental Natural Resources). He got the permit and used

the trees to make furniture for the inn. As for environmental care requirements now that the inn is operating he said that there are not so many referring to waste separation. "I do not have much contact with the municipality or any other governmental body now that the inn is operating. Just once a year, when I have to renew my business permit, people from the fire and health department come for inspection, but that is it."

For the future, he hopes that many more visitors will come to Palawan. His personal future plans for the business are to keep it small, because he likes the personal feeling of the place, and it is also easier to manage. In a few years, he might add a few more rooms, or open another small inn.

A small-scale souvenir shop

There are fourteen souvenir shops in Puerto Princesa, most of them selling jewellery, t-shirts, wooden art items and baskets. Most of the shops offer almost the same products. The souvenir shops get some of their products from residents in the rural areas of the island, who use handicraft making as an additional or alternative income source to farming.

Most of the residents in the rural areas cannot transport fresh products all the way to the city, because of lack in proper transport that could keep the products from getting rotten on the bumpy roads. This alternative income source is encouraged by the government, which offers some small loans for individuals who wish to start this kind of activity, as well as some support in manufacturing techniques and marketing. The souvenir shops have their own association under the City Tourism Council. However, some shop owners mentioned that not much is being done within this association. One shop owner mentioned that with the increasing number of tourists, more shops were opened, and the competition forced him to lower his prices. He mentioned that there were a few attempts to create an area for the souvenir shops, like a handicraft market. These attempts were not successful, because of the competition between the shops. He said: "we need to keep some distance between us, it is not a good idea to place many shops in the same place."

The owner of a souvenir shop used to work for the DTI, where she was helping residents of the rural areas to develop handicrafts manufacturing as an alternative income. She was working with hand weavers, and found it to be the local craft with the biggest potential for alternative income for the villagers. As she was working with the villagers, she noticed how much help they needed in order to succeed in this mission: “the people could not see the bigger picture, they do not have the proper education, and they cannot negotiate prices so well, so I did it for them. I introduced them to an exporter. When he ordered a big amount, they could not supply it and he got mad.”

After four years, she decided to leave DTI and start her own business. She started the operation with fifteen weavers, and in five years, the number of employees gradually increased to nearly 100. She started the business with an initial capital of Php 50,000, which she borrowed from a friend. The business started at my home, and now it has become a profitable business but it is still a small community work business. I was, and still am, focused on growing with the money I have now, and not more than that. When we do not have many orders, I focus on learning new techniques and coming up with new designs.” She employs the lower class workers (C, D and E), which are non-working mothers, out of school youth and working students. Their income is lower compared to workers in the big hotels (class B or C).

She has arrangements with the three big hotels in Puerto Princesa, which bring their guests to see the factory and visit the shop. “They come to see the people working, it is an authentic product. This factory also provides backwards (income) for the people who provide the harvest. If we do not use the natural materials for weaving, in the dry season it will go to waste, the growers (farmers) will just burn it.” In addition to the big hotels, she is also linked to the City Tourism Office and Tourism Council, which help a little in promoting the place. She sells the products to other shops across the island. Her connection with the exporter she used to work with during her time at the DTI is maintained, and the factory has some exporting orders every

year. The Ministry of Technology provides the business with some help on how to dye and bleach the natural materials. When asked about the business of pearl jewellery, also based on many individuals working for one company, she says: "this is not a legal business, they work underground, unlike this business, they do not pay taxes and their sales are not recorded anywhere."

Thinking about future possibilities for her business, she hopes to have more exports and that the increasing number of tourists in the island will increase the sales. "If there are more tourists, there are more sales, so it is good for the business, and for the people here, as they will get more income. There are always negative effects: a lot of people in one place are not always good, but in business, it is good. Palawan still needs a lot more tourists, so maybe they (the government) do not want to control it yet."

Small restaurant

There are 96 restaurants in Puerto Princesa area. Only ten of them are members of the AROMA restaurant association, under the City Tourism Council. The member restaurants have to operate according to certain standards that apparently most of the local restaurants do not meet. As most of the visitors in Puerto Princesa are domestic tourists, most of the restaurants offer local Filipino cuisine, a few also offer some western food, from small food stalls on the street to higher budget dining experience on the beach front.

The owner of a small restaurant in Puerto Princesa was living in Manila, where he was working for a bank. He came to Palawan for a holiday about twenty years ago, fell in love with the place and decided to move to Puerto Princesa.

At first, he was working as a tour guide for small groups of visitors. "I was also cooking during the tours and got great comments on my cooking. Later on I started to work as an accountant to save some money to open a small restaurant." Eighteen years ago, with an initial capital of Php 10,000 he saved, He opened the restaurant in his own house. Getting a loan from the bank was not possible, as he did not have any collateral. He used the initial money for the building and

materials. He bought the ingredients at the market where he arranged with the suppliers that if he did not have the money that day, he could pay the next day.

In the first years, the restaurant became a meeting place for his friends, who came for dinner as paying guests. Later on, it became a gathering place for the artistic community of the town, and art exhibitions were regularly held. With time, the restaurant established a good reputation and he managed to save enough money to move to a house away from the restaurant. Now he employs fourteen workers.

He mentioned that the process of getting permits has become much better in the last few years: "Before it took several days and you had to go from one office to another all the time. Now you only have to make one stop at the City Hall, all the municipal departments are located there and it can take less than a day to get the permits.

Another member of the AROMA restaurant association mentioned welfare programmes, training, upgrading of services, and exchange visits with other restaurant associations as part of the activities AROMA offers to the members.

Environmental actions that are undertaken by the restaurant are segregation of waste. "We split everything, but then when the truck comes to pick it up, everything is thrown in together."

His thoughts about the future are mixed with positive and negative elements: "I believe in ten years from now the fast food chains and big international companies will come in. More degradation will take place. Currently the slashing and burning of forests stopped, because of programs by the mayor and NGOs, but it will be a big challenge for the NGOs and government to maintain the environment in ten years from now. I think the carrying capacity is already reached. The mayor is very good. He made this place into what it is today. He is interested in protecting the environment." His future plans for the business are to open new restaurants in locations outside the city, such as El Nido, Coron and Sabang.

The above three cases were chosen as they are examples of SMEs that have managed to overcome the challenges and constraints that were mentioned earlier, and their experience could be used by others. Trying to analyse the common points that all three cases have might help other SMEs operating in the tourism industry, or planning to start a business in the future.

What do these three SME's have in common?

First, all three SMEs started their business relatively small. None of them used bank loans, either because they could not get it, or they did not want to get into a debt. Naturally, for businesses, which require more initial capital, like accommodations, having your own land makes it easier. However, as seen with the other two cases, it is possible to start a small business with a relatively low capital, and then grow slowly and carefully.

Another common important issue that all three cases share is previous managerial knowledge. All the owners and managers of these businesses have been involved in work that gave them some knowledge about business managing, finance and marketing. This knowledge is crucial for the success of any SME. It can be seen, in the case of the weavers, that the knowledge in marketing, negotiating prices and the connections that the manager had from her work at the DTI made the business a success story.

All three businesses made use of local resources. The use of local resources, materials and manpower alike, not only reduces costs for businesses, but also makes them more sustainable. Especially on an island, they can rely less on external resources, and by using the local skills and materials, they provide, in return, income and work for local inhabitants that, and for other businesses who supply them with materials.

All businesses are operating in compliance with the local rules and regulations. They all pay taxes and give the minimum wages and social benefits to their workers. All of them are aware of the general municipality's policy to protect the environment, however, most of their contribution is by waste management.

Two out of the three are making use of other organizations (AROMA, City Tourism Council and DTI) to help the business

with training and marketing. Being aware of the possibilities that these bodies offer, gives an advantage to these businesses over other SMEs that might not know how they can get assistance from outside organizations.

Conclusions

SMEs are currently the majority of all businesses operating in Puerto Princesa and in Palawan. Their role in tourism is significant as they provide most of the facilities, services and products to the visitors directly, but also indirectly through the larger hotels and companies. Visitor numbers to Puerto Princesa are constantly increasing. Currently the majority of the visitors are domestic, but foreign visitor numbers have seen a stronger growth rate over the past few years. Based on an average growth of about 10% annually, in ten years time visitor arrivals will be more than doubled, reaching almost 400,000.

The municipal and provincial governments have many plans to develop the tourism industry in Puerto Princesa in a sustainable way, and keeping the city the cleanest and greenest, while also gaining more employment and income opportunities for the people.

However, it seems that the goodwill of the authorities is, at this point, mainly focused on the larger scale investors and developers, and the SME sector is not (yet) getting the attention needed. This could lead to a situation in which SMEs are not involved in the tourism development plans, and while trying to meet the growing demand, they might not be able to offer the relevant products or services. The result of this could be that the main beneficiaries of the tourism developments will be the big companies entering the market. In addition to this economical unsustainable result, uncontrolled development of the small scale businesses could lead to damage to the environment, as can be seen today in El Nido.

SMEs in Puerto Princesa operate in a relatively safe and stable environment. They are affected by the conditions that define the

overall business environment, created by local and national governments. As each municipality has autonomous control, rules and regulations are different from one place to another. The relative power of the mayor also influences the extent to which these rules are enforced, and plans are being implemented.

SMEs have specific constraints, which mainly involve difficulties in access to credit, especially to start a new business. SMEs usually rely on savings, friends and family for initial funding. Cooperatives offer a good alternative to banks for some SMEs, primarily to those involved in agriculture. While the government is trying to attract large-scale foreign investors to the city, SMEs seems to be left out of the plan, and there is no platform for them to meet potential investors.

In addition, the SMEs small size is a constraint on its own, as they lack the power that economies of scale have when it comes to negotiating prices. Another constraint is lack of managerial skills or marketing capabilities. Nonetheless, as was shown in the case studies, with enhanced education and more experience, SMEs can overcome these constraints.

SMEs in Puerto Princesa are expected to benefit from future tourism growth. However, many aspects are to be considered in order to achieve this. New product development is essential, but it should be economically viable, environmentally sustainable and socially acceptable. The main challenge to succeed in this is the lack of thorough financial management capacities. Based on the outcomes of the research, recommendations are given, divided into short term (3-5 years) and long term (10 years).

Short-term recommendations (3-5 years)

In order to list new tourism products, a distinction is made between lower initial capital and higher initial capital and the available sources for both forms of capital. The recommendations on new product development, as listed in table 6, should be feasible within the short term. These products will complement the development of accommodation and transportation needed to handle the future growth.

Table 6 Potential tourism products and their possible financial sources

Initial capital	Source	New product
Lower	Own savings Friends and family Small government loans Cooperatives Pawnshops	Cooking classes Dance and music performances/ classes Handicraft/ souvenir workshops Agro-based tours Photography tours Massage Yoga Group tricycle tours (similar to the trishaws) Sunrise and sunset tours Food stalls adapted to foreign tourists (regarding language and taste) Building swimming pools Second-hand bookstores
Higher	Own savings Friends and family Banks Foreign investment	Boat rentals (e.g. kayaks, canoes and sailing boats) Bicycle rentals Camping grounds Spa Bookstores (also selling foreign books) Beach development (accommodation, restaurants, bars)

As mentioned before, SMEs do not get much attention from the public sector. The government should make sure the SME sector is aware of the general tourism development plans, rules and regulations, in order to develop this sector in a sustainable way. The municipality should implement and control rules and regulations concerning SME developments in the same way as done with large companies.

The government is not able to extensively help with financial issues, as they also have to deal with a lack of resources. However, the government could help SMEs to get in contact with potential investors. In addition to brochures and guides, the government can organize 'Invest in SMEs'-days in Puerto

Princesa. Besides support from the government, SMEs should also form more cooperatives. Not only do cooperatives usually offer lower interest rates than the commercial banks, joining a cooperative could also give micro businesses the advantages of economies of scale. Cooperatives could commence joint marketing activities and assist each other when needed.

Several actions can be undertaken to improve the marketing skills of SMEs in Puerto Princesa. First of all, the government should develop a basic marketing plan, as this is non-existing at the moment. In this marketing plan the future markets should be defined, together with their corresponding products. Such a plan would make it possible for SMEs to develop new products suitable for these specific markets instead of only sticking to the current products. The government (both city and provincial) could also try to give workshops for SMEs where they can learn on marketing and practice their skills. In addition, the associations can be used for getting in touch with other companies and to work together on developing better marketing practices.

Currently, some of the associations have defined standards for new companies, which want to join. However, if new SMEs do not comply with these standards, they should receive help and support from the associations on how to upgrade their standards instead of rejecting them for membership. Finally, the City Tourism Council should think about issuing a voucher booklet. SMEs can participate in this project, offering discounts for certain products or services and creating (brand) awareness.

Another weak point of SMEs is their lack in managerial skills. Besides marketing workshops, the government could also offer workshops on basic business management. In addition, those SMEs with poor managerial skills could join forces with other SMEs or partners who have these skills.

Long-term recommendations (10 years)

While most of the tourism facilities and tourism related SMEs in the southern part of Palawan are concentrated around the city centre of Puerto Princesa, the future plans of the municipality indicate more potential business opportunities away from the city

centre, although still within the municipality. As infrastructure is to be improved, a few areas declared as tourism development areas, could be good places for SMEs to start their new businesses. The main tourism development areas as stated by the municipality are Tagbarungis in the southeast, Simpocan and Nagtabon (including Tagkawayan beach) on the west coast, Honda Bay, the area of San Rafael and Concepcion in the northeast, and Ulugan Bay and Sabang in the north west of the municipality. These areas are currently less developed, but offer beachfront views, which are not available (at least not for low prices) around Puerto Princesa City.

A first set of areas is defined as 'ecotourism zones', where developments will be restricted to nature activities and tours. These are around the villages of Napsan, Santa Lucia, Honda Bay, south-east of Ulugan bay and an area inbetween the villages of Tagabinet and Cabayugan.

In these areas, no large-scale developments are allowed to take place. However, these areas will require the development of small scale, supporting services to tourism. SMEs can take part in operating transportation, tours and F&B supply. Activities, which can be managed by SMEs, are diving, snorkelling, bird watching, trekking, kayaking/canoeing and sailing.

A second type of areas is defined as 'tourism zones', which means that both small scale and large-scale developments are allowed. These areas are located around Inagawan, along the coast between Simpocan and Nagtabon, along the shore reaching from San Rafael to Langogan and around the villages of Marufinas and New Panggangan.

Most likely, in ten years from now, these areas are the zones where large-scale hotels will be developed. In these areas, the tourist will need many support services, which is where the opportunities arise for SMEs. Small-scale accommodation could be complimentary to the large hotels and F&B outlets can cater to the guests of both large and small accommodations. Souvenir shops, tour operators and transport providers will also be needed

to cater for the tourists. Finally, SMEs could take part in supplying products to the large companies in these areas (tourism value chains).

4 Large tourism companies in Palawan

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Introduction, goal, methodology

The Palawan Island authorities are promoting tourism as a development strategy. Especially in Puerto Princesa City, the City Tourism Office (CTO) is trying to promote the City as an ecotourism destination.

Within this framework, tourism developments are planned after detailed consideration on sustainability impacts. The Puerto Princesa City Government has established specific rules and regulations to enforce sustainable development and new initiatives are broadly researched before taking place.

The actual implementation of rules and regulations might however result in an unbalanced development situation, as it requires matching conflicting interests of parties involved. Many stakeholders involved in tourism development tend to focus on private business opportunities offered by Puerto Princesa. Large tourism companies like hotel chains and airline companies are interested to increase their investments in Palawan. This could lead to a more profit-oriented situation in which carrying capacity might be exceeded and the natural environment, the most vulnerable asset of tourism, might undergo a lot of pressure. For this research the following goal has been established:

“How can existing large tourism companies succeed within a business environment of increased competition and maintain the balance between sustainability issues and profitability?”

The following research questions have been formulated to achieve the above-mentioned goal:

- What is sustainability in relation to tourism development in Palawan?
- What is the satisfaction of the market on the existing large companies?
- What are the ideas of large tourism companies on the preservation of the environment and what do they do to sustain the environment?
- Which projects are being planned for the future?
- How can large tourism companies contribute to sustainable development of Palawan for the short- and long term?

The primary source of information used for presenting answers to these questions will be through a total of 14 interviews with major stakeholders. Most interviews were conducted with persons responsible for management in large hotels (3), airline companies (3) and ferry transportation companies (1). Topics were the opportunities and challenges that large tourism companies are facing, at the moment and in the future.

Besides this, interviews and a survey have been conducted with a total of 28 tourists at Puerto Princesa City airport. In the following report, a summary of findings is presented that is mainly based on the data and information gathered through these interviews.

Challenges and opportunities for Palawan tourism development

Puerto Princesa City is a major tourism destination in The Philippines. In 1991, a total of 7,707 tourists have visited the city. This number has grown (with a slight decrease in 2002 and 2003 due the incident at the Dos Palmas Resort), up to a total in 2006 of 146,806 tourists. Total tourism receipts were 800 million PHP in 2005 and main tourism source markets are domestic tourists.

Most international tourists come from Korea, US, Canada, China and Japan.

The tourism product of Puerto Princesa City is according to the City Tourism Council defined as:

“Wide and diversified and consists of various accommodation facilities, a clean and green city, cultural heritage and marine resources, world heritage site, pristine beaches, underwater world gardens, hospitality, peace and security, mountain views/landscapes, etc.”

Sustainable development of Palawan’s terrestrial and marine resources serves as the most important policy framework and main strategy of the province’s development efforts. Through interviews with stakeholders, in the eyes of people managing large companies, the most important challenges that Palawan is facing are the following:

Lack of Accessibility

For Palawan accessibility is a challenge. The domestic road network can be improved: most road network is not asphalted; average travelling time from Puerto Princesa City to El Nido is six hours. Many roads are under construction and there are plans that the major roads will be asphalted by 2010. When it comes to airborne accessibility the constraints are infrastructural as well: maximum size aircraft that can be accommodated at Puerto Princesa Airport is an Airbus 323. Increase in tourist numbers can only be achieved through more daily flights. There are no development plans for expansion of the runway, as first City government priority is the improvement of the handling facilities and the terminal.

Most of the flights are coming through Manila or Cebu. For international tourists this means that they will have to transfer aircrafts. At the moment, there are also limited flights to Palawan from Manila and Cebu.

Bad media exposure

Bad media exposure is an issue for Palawan. This mainly has been caused by the tragedy at Dos Palmas Resort in 2001. This

affected domestic demand as well, while international demand is influenced by recent kidnappings and terrorism threats in The Philippines, which was broadcasted worldwide. Domestic visitor numbers have recovered which in a sense is a positive sign, as these markets seem to react in a less volatile way, when it comes to risks of terrorism.

Technology issues

Modern communication technologies are the main source of marketing and promotion of tourism destinations. They have made it possible to look for information about any destination around the world and the possibility to book your holiday directly online. However, Palawan's Internet connectivity lacks behind the normal Internet speed. Not only this will lead to less service quality for existing visitors, it also will influence future visitor numbers and especially the potential policies that Island authorities can implement to search for preferred source markets through effective marketing strategies. People might choose for another destination where the information and bookings can be done more easily.

Shortage of electricity and water

Palawan is experiencing difficulties with the electricity and water supply, as not all of the households have access to electricity and in some areas electricity is not available 24 hours. Water supply is also an issue in Palawan as sometimes no water/water pressure/hot water is available. The National Power Corporation (NAPOCOR) previously provided Palawan's electricity.

At the moment power is supplied by a 16MW power plant at Bgy. Sta Lourdes owned by Delta Pi, an independent power producer, with back up 5MW and 15MW generators stationed at Bgy. Tiniguiban and Irawan, Puerto Princesa City that is distributed by Palawan Electric Cooperative (PALECO). Fifty-eight out of 66 barangays have electricity with an actual house connection of 35,541 or 88% of potential house connection. Puerto Princesa City Water District (PPCWD) provides water to 17,007 active members. Irawan Watershed is the main water source and supplemented by surface water from Irawan River,

Cabudlungan/Bonton Dam and PSU spring and groundwater sources composed of 18 pumping stations and 14 private wells. When taking into account that an average tourist consumes about 10 times as much water than a local person and 4-6 times as much electricity, it can be stated that this constitutes a serious threat to the future competitiveness of Palawan as a tourism destination.

Undercapacity of accommodation supply

In Palawan during peak- season it can be hard to find accommodation. Although the researchers did not experience this first hand, domestic tourists and travel agencies informed numerous times to book accommodation before visiting a place.

Environmental impacts

Although the developments in Palawan seem to be well planned, most of the developments carried out are not monitored well enough. It seems that foreign investors can easily get permits for building on the beach, which is not stopped by the government. The developments are also not carried out according to the Master Plan for Palawan. Some of the coral reefs in El Nido and Tubbataha reef are also suffering from damage due to lack of monitoring or restrictions. Though there is a possibility that the coral reef in Tubbataha has suffered damage before it was declared as a world heritage site, due to illegal fishing. The same counts for the Underground River at Sabang. A carrying capacity has been established, but it does not count for the peak season or for groups/conferences. The side effects do not show that much yet as there is hardly any rubbish on the streets and no damage at the Underground River was noticeable. At El Nido "there are some problems with the waste management" (Tourism office, El Nido 2007).

Lack of quality tourism facilities and services

At the moment there are not enough tourism facilities and the existing ones do not offer high quality standards. The three large hotels in the city of Puerto Princesa City are considered as three star hotels. Therefore there is a lack of deluxe accommodation

facilities, especially in Puerto Princesa City. There are some deluxe resorts, but they are all located outside the city.

Marketing

Domestic tourism for Palawan is currently the biggest market as it takes up 75% of all visitors to Palawan (City tourism office 2007). Palawan is situated relatively close to the two biggest fast growing markets, China and India. If Palawan markets the destination well to those countries, the tourist's arrivals will increase. For Palawan the largest markets are: Korea, US, Japan, China and Canada. This is positive as China is in the top 5 markets and is expected to grow considerably (World Tourism Organisation 2006).

Policies at the 'city level'

The above challenges show that in Palawan, there is a scope for improvements. That is, if the goal would be to increase the number of tourists, which is the most important objective of large tourism companies. Most of the challenges mentioned are related to government policies and have impacts on large companies. Together, government and the large companies should address these challenges and opportunities.

The City government of Puerto Princesa City has been, besides growth objectives, very committed towards sustainable development through several policy actions, amongst which can be mentioned:

- Strong political /legal support to sustainable development topics
- A specific local government code
- The development of a City comprehensive Land Use Plan (CLUP)
- A specific ordinance governing the tourism industry of the City of Puerto Princesa
- The creation of the city tourism office
- The Tourism promotion and development program

The overall objective of the city tourism office of Puerto Princesa City is to increase the tourism arrivals to Puerto Princesa City and through this contribute to the city's economic development (City Tourism Council 2007).

Nevertheless, the challenges mentioned by City Stakeholders when it comes to Puerto Princesa City development are:

- Lack of finance to improve basic infrastructure;
- Bad shape of basic utilities (water supply, electricity)
- Insufficient telecommunication facilities
- Insufficient tourism facilities and services
- Accommodations (Hotels/Resorts), lack of 5 star hotels
- Low level of quality of travel/tour operators/ tour guides
- Transportation
- Restaurants/Entertainment

Large tourism companies in Palawan: definitions

This chapter starts with a definition used for large companies in Palawan. Following, a stakeholder analysis is provided, which includes the large companies in Palawan/Puerto Princesa City. Continuing, the five forces model of Porter is used to describe the attractiveness of Palawan. Furthermore, the challenges for each specific segment are described. The chapter ends with opportunities and threats for the large companies.

There are many definitions for large companies. A few definitions that have been encountered include:

*“A company that has a capital of more than 100 million PHP”
(Department of Industry and Trade, 2007)*

“A company with more than 250 employees and an annual turnover exceeding €50 million” (European Commission)

Nevertheless, none of the definitions mentioned above are suitable for large companies in Palawan, as the large companies operate on different levels, while for example a hotel that is considered as large has more than 70 employees, an airline that is also considered as large has only 36 employees. In Palawan, a definition for companies is defined according to capital. For this reason a new definition for large companies in Palawan within the framework of this research has been adopted:

“A company with more than 35 employees and a capital of more than 100 million pesos”

The tourism sector of Palawan is composed of several large companies falling in the above-mentioned category. Considering the nature of the assignment, a focus on tourism companies was chosen. The other large organisations affect the tourism industry indirectly e.g. mining, farming and the church. Therefore only large companies in accommodation and transportation are analyzed.

The Palawan government sets the rules and regulations for the private sector. The latter, in order to be able to get a permit for operating a business needs to abide by these rules and regulations. The large tourism company sector of Palawan, which is also included in the research, includes: transportation from home country to Palawan.

The transportation is subdivided into air travel and water travel. The large air travel companies in Puerto Princesa City are: Philippine Airlines, Air Philippines and Cebu Pacific. For water travel this includes Super Ferry.

Another segment of the large companies in Palawan are the accommodation facilities. Actually there are three hotels that are considered as large in Puerto Princesa City, namely Asturias Hotel, The Legend Hotel and Fleuris Hotel. The two resorts that are also considered as large that have been included in this research are Dos Palmas Areffici Resort and Club Noah Isabelle, which are located outside the mainland.

Tourists are also included in the research as they play an important role in the outlook for Palawan in terms of sustainability and the visitor market.

Competitive analysis of large tourism companies

The five forces model of Porter is an outside-in business unit strategy tool that is used to make an analysis of the attractiveness (value) of an industry structure (Porter, 2006). For assessing the large tourism companies on Palawan, this model is used. This model can be used for analyzing at industry level, which is desired in this case. The general model of Porter is applied to the large tourism companies that are located in Palawan.

The large companies assessed are airlines, hotels, and ferries. An example of the five forces model for the airlines will be included in this chapter. For both other groups the five forces analysis has also been conducted but the graphical representation is not included in this document.

Airlines

Three airlines are serving Palawan: Philippine Airlines (214 seats), Cebu Pacific (150 seats) and Air Philippines (118 seats).

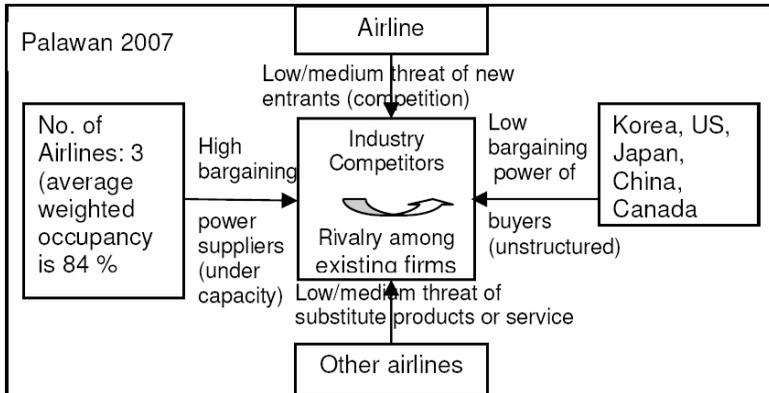


Figure 4.1 Porter's five forces model adapted to airlines on Palawan

Average seat capacity and occupancy rate was estimated at April 2006. Philippine Airlines: on average 77% in 2006. Cebu Pacific 2006: close to 100% (Cebu Pacific 2007). Air Philippines registered an occupancy rate of 76%.

It is considered that the entrance of a new airline company that would enter this market would increase the competition, but, with average high seat occupancy rates, this would only mean a low/medium threat of substitute products or services. It seems that the global growth trends in low cost carriers would be very applicable to Palawan. The international tourism markets arriving for Palawan are Japanese, Chinese, US, Korea and Canada. These markets do have the opportunity to choose among these airlines. From interviews it became clear that during peak season, some airlines were fully booked. This indicates that there is a low bargaining power among the markets.

Besides this, interviews conducted indicate that local airlines have several constraints at this moment to deal with:

- Competition
- Overbooking, where to transfer passengers

Hotels

Actually, three large hotels exist in Puerto Princesa and five large resorts are located on the islands, close to Puerto Princesa, El Nido and Taytay. As it was not possible to interview managers with resorts, this analysis is only related to the large hotels in Puerto Princesa (Asturias, The Legend, Hotel Fleuris). Hotel Asturias has 58 rooms available. The average occupancy rate during February and March 2007 was 40%. The Legend hotel has 100 rooms available and has an average occupancy rate of 65% and Hotel Fleuris has 48 rooms available and an average occupancy rate of 50%.

Though one might think that the above figures would indicate an oversupply of large hotel rooms, this conclusion would be premature, as the figures do not refer to total capacity and seasonal influences. It seems that actual visitor markets in Palawan prefer to stay in other accommodation types like pensions/inns. From the hotels perspective there is a lot of competition as the market that visits the large hotels is not very big. Therefore there is a low bargaining power of the hotel suppliers, as they could not afford to increase the prices or to focus on one specific market segment. This shows in the marketing efforts of the hotels at the moment. There is a medium threat established of substitute products or services, as there is competition from resorts and Inns/Pensions. This competition is not high as the inns/pensions have on average a lower standard than the large hotels and the resorts have on average a higher standard than the large hotels. These competitors will have different target groups than the large hotels.

When talking about improving their competitive position, large hotels mention that they have to deal with the following issues:

- Human resources (internal), how to maintain a high quality staff
- Industry competitors
- Limited local market
- Limited flights

- Lack of water supply and electricity supply
- Location, not close the beach
- Guests satisfaction, how to make guests feel at home and make them return

Opportunities for the hotels and airlines include:

- The renovation and change of the airport into an international airport, this will attract more tourists (international)
- Improvement of and the connecting of roads, this will make the attractions more accessible and thus attract more tourists

Ferry Company

There was one interview conducted with the manager of Super Ferry. The ferry company has 1044 seats available and an occupancy rate in peak season of 75% and in low season 50%.

Main tourism markets are domestic tourists that have the option of transport also through airlines. Therefore the buyers are considered to effectuate a high level of bargaining power. There is a high threat of substitute products or services as other ferries and especially the airlines offer the same product in terms of flight. Noticeable is that the airlines do not see the ferry companies as a threat, but the ferry companies do see the airlines as a threat (Super Ferry 2007). The low cost carriers mainly induce this as the pricing of Cebu Pacific is almost at the same level as the ferry. With the ferry it could take up to 24 hours by boat, and with the airline it takes two hours. This situation is not very favourable for the ferry companies.

The issues the ferry companies have to deal with include:

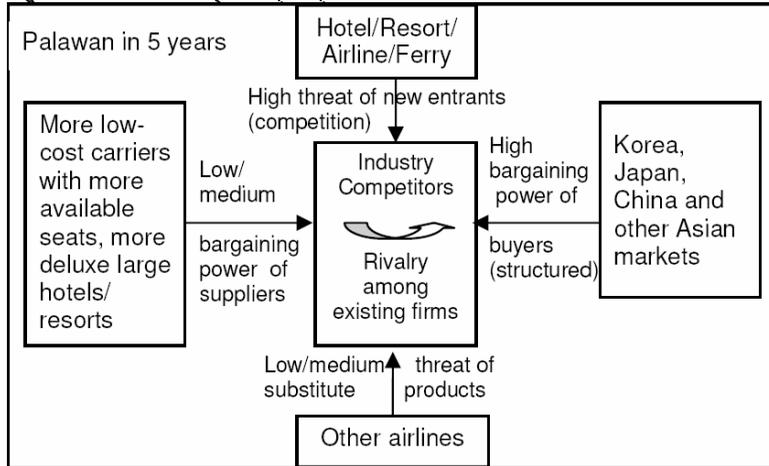
- Competition with Airlines, airlines are lowering their fares
- Fuel, fuel prices are more expensive

Future prospects of large tourism companies

5 year's perspective

With the model of Porter we have tried to establish a five-year's perspective for large tourism companies in Puerto Princesa.

Figure 4.2 Palawan 5 year's perspective



The Philippines would like to receive 3,1 million visitors in 2007 (Department of Tourism, 2007) which should be delivered in 8 anchor zones, the special tourism development zones. One might think that Palawan would like to attract more visitors. This message was also posted on the Palawan.com website. Here it is shown that in Puerto Princesa City a lot of tourism development will take place in the near future. The provincial tourism office provided information about the development plans for Palawan.

The main tourism development area is located in the North and that is also the area which they are focussing on. El Nido and Busuanga are the main focus points for tourism development. There are plans to upgrade Busuanga and El Nido airport (Provincial tourism office 2007). At El Nido they did not know about these plans as the airport is privately owned (El Nido city

tourism office, 2007). The city tourism office in Puerto Princesa City provided information about the development plans of the South. They would like to make Puerto Princesa City the business capital of the Philippines (City tourism office, 2007).

The city tourism office also pointed out that St. Lucia would be an area developed for large hotels and resorts, although this is not confirmed in the South Palawan tourism master plan. This area is only mentioned as a tourism development zone. From one of the interviews, it was also indicated that San Vicente also is an area with a lot of potential for large tourism development. The interviewee also mentioned that a lot of hotels/ resorts had already showed interest in constructing in that area. The provincial government mentioned that they would like to expand the Puerto Princesa airport. But the local government in Puerto Princesa City is only going to expand the arrival hall, to give tourists more space and comfort when picking up their luggage. Noticeable is that the runway of the airport is not going to be extended anytime soon as “there is no money for it” (Air Transportation Office, 2007).

The national government decides on the number of flights arriving at Palawan airport, therefore most of the decision made by the local government in terms of the airport need to pass through the national government and vice versa. Hopefully this will not constraint the sustainability of Palawan, which is the local governments pride, as the only way of increasing visitor numbers to Palawan is to increase flights, as the largest aircraft that can land at the airport is already in service. This could really affect the large companies in Palawan. The noise pollution will be tremendous, although “the aircrafts at the moment are not so polluting and not so noisy” (Air Transportation Office, Philippine Airlines, Cebu Pacific and Air Philippines 2007), but in five years time this might be the case.

The large hotels are reliable on the amounts of flights that are coming in, if the national government would decide to increase the number of flight to Puerto Princesa, the large hotels could segment their market better and could carry out more specific

marketing efforts. For airlines this could mean more passengers and more airlines serving Puerto Princesa City and the other airports. In 5 years time this could mean an increase of the amount of large hotels/resorts in the designated areas.

As the amount of airlines servicing Palawan, including some more low cost carriers, the ferries will have a hard time to survive, unless they are going to change the product on offer. As the tourism development is not well monitored at the moment (city tourism office 2007), this might have an effect in the future on the environment and tourism zoning could fade. With this information an analysis is made for the future increasing competition including new hotels and airlines coming in to Palawan. Ferries are often not chosen by tourists, as it takes too long for the average traveller and the cost will nearly be the same as a low cost carrier flight.

Several interviews revealed that Shangri-La, Four Seasons and Cubic resorts have shown interest; this could unfortunately not be reconfirmed by the city and provincial tourism offices. If these chain hotels/resorts will come to Palawan they will attract other markets. It might attract more international arrivals. With information given by the provincial tourism office it was established that the requirement of permits for foreign investors to construct a large hotel/resort could take up to 1 year (Provincial tourism office, 2007).

For Palawan in 5 years time, there could be more airlines and more hotel/resorts. Competition from new market entrants will increase; therefore there will be a low/medium bargaining power for suppliers. More luxury hotels will be established which would have an impact on the competitive position of the existing 3 large hotels. This impact might include room price decreases and they change of the product supplied. Airlines also will experience price decreases on the routes to Palawan due to increased competition, especially from new low cost airlines.

Also the market e.g. families, business could be changed and need to be adapted to the new visitor markets. The existing ferry companies will face more competition from the low cost carriers,

therefore the share of tourists will lessen and the share of goods that they are shipping will increase. There will be a high threat of new entrants, as more hotels/resorts will be established. With the establishment of some new large hotel/resort chains, a new segment of visitor market will arrive to Palawan.

For the new hotel/resort chains that might come to Palawan, as mentioned earlier, the international Asian market will become of more importance. This will include Korea, Japan and China. The new visitor market will have a high bargaining power as they will have more to choose from in terms of accommodation and airlines. If Palawan can keep its natural beauty 5 years from now, which is where it is famous for, and is sustainable, there will be a low threat of substitute products (other countries).

The interviews conducted with tourists, established that most people visit Palawan for its nature and cleanness. If on the other hand Palawan could not do this, and lose part of its nature due to lack of monitoring and enforcement of the rules and regulations, there could be a high threat of substitute products, as this will keep the tourists away and there is a possibility that they will go to a different destination.

10 years' perspective

When looking at the long-term time 2 scenarios are possible:

1. Tourism development in Palawan will continue to grow and visitor numbers will increase. Palawan could establish its sustainability and all the developments will go as planned. Airlines, hotels/resorts will have a lot of competition but they are doing well in terms of profit. The environment will stay as beautiful and local inhabitants are enjoying the economic benefits that tourism will bring.
2. On the other side, the development will not be carried out according to plan, through lack of monitoring and lack of funds. The environment will not be sustained and tourists' numbers will decrease and the tourists will look for another Holiday destination.

The existing large companies in Palawan might face severe competition from the large hotels/resort and airline companies. The large companies in Palawan will go through a hard time, and some of them might go bankrupt.

The model is not applicable for the 10 years time as it depends on which scenario will be followed; there are so many factors that should be taken into consideration. Figure 4.2 shows the factors that will affect the large tourism companies in Palawan. There could be a new mayor and governor who could change all the tourism development plans, there could be another terrorist attack, the airport might not be an international airport, lack of infrastructure development, and lack of monitoring and political instability. For this reason Porter's five forces model is not used for 10 years as it is too far away and too many factors will affect the large tourism companies in Palawan.

Conclusions and recommendations

The existing large tourism companies should look at the potential tourism market and at the needs of this market. In order to do this they can keep track on the plans of the city government related to convention establishments and eco-tourism. The large companies can for example, focus on MICE tourism as a big convention centre is built. The existing large companies should also improve their product and services they offer.

They should also prepare for future competitors. To do this they should generate repeat visitors and create a relationship with those visitors. They can also make use of their competitive advantage; existing large tourism companies on Palawan, already have followed the rules and regulations set by the government, which are changed over the years. They can use the advantage in terms of upgrading and expansion.

Airlines

The airlines in Palawan are facing average competition. The average occupancy rate for three of the four airlines was in 2006

84%. This is quite high, compared to other airline companies from other destinations. During peak season they sometimes need to turndown passengers, as there is not enough seat capacity. At the moment the competition is mainly from the other airlines. For Philippine Airlines and Air Philippines the best competitor is Cebu Pacific. For Cebu Pacific it is the other way around. At the moment there is a large demand for low cost carriers. The almost 100% occupancy rate from Cebu shows that. The international visitor markets for the airlines are at the moment; Domestic tourists, Korea, Japan, China, US and Canada.

The airlines could increase the prices during peak seasons as there is an under capacity. The airlines could also increase the number of flights when the amount of tourist' arrivals start increasing. A new airline could move in, this airline could compete with the established market, as the low cost carrier at the moment has an occupancy rate of almost 100%. Regular customers from the existing three airlines should be taken into account. If the new airline adapts to the market at the moment and in the future it could definitely succeed. For the existing airlines, they could improve their services on-line.

The airlines could create the ability to change flights on the Internet for a reasonable price. This will save money on employees in the long run. Also the airlines could arrange an agreement with a tour operator, so they could offer package deals online. Tourist will have an easier way to find accommodation, and they could book it all at once. In the long run this will benefit the tour operator, the accommodations on offer and the airline as tourists would like to experience the comfort of booking accommodation and tickets at once. Also they could improve their security systems to give passenger a sense of being more secure at the aircraft. The introduction of an under cover flight security agent that could fly on all the flights of the airlines would mean that if something happens, the agent could immediately take action and therefore decrease the capacity of the damage.

Regarding the preservation of the environment, the airlines could organize together or individually cleaning days once a month at the surrounding area of the airport and start a tree planting campaign. They could increase the airfare a bit and use this money to do the tree planting. The tourists could cover this amount of money.

The airlines should unite and meet with City Government for the establishment of an international airport and customs. If this will work out the airlines could offer direct flights to China, Korea and India, the most important markets for Palawan in the future. Although India's visitors at the moment hardly go to Palawan, this will be with China the fastest growing market. Therefore it would be wise to arrange flights to India and China, they should sustain the visitors market from Korea as this is the biggest market at the moment. The airlines could also expand their fleet, to be able to service more destinations. They should also address the mayor in terms of security at the airport, as part of the airport is not secured through a fence, but only through security guards.

Hotels

For the 3 large hotels the competition mainly comes from each other and from the pensions/inns. The average occupancy rate for the three large hotels counted for 57,5%, therefore there is a low/medium bargaining of the suppliers. This indicates that the competition is quite high or that there is an oversupply of accommodation on Palawan. The markets for the hotels are domestic, Korea, Japan, China, US and Canada. These markets most likely prefer to stay in a pension/inn.

The existing large hotels should develop more facilities and expand their room capacity. By doing this they can generate more tourists and be able to make more profit in the future. They should keep taking part in the government programs as well as come up with some new programs, like cleaning days in the surrounding area of the property or at tourist' attractions. They can do this by involving their staff and guests who would like to participate. By doing this they can contribute to a sustainable future of Palawan.

A higher standard could be established to attract more people from the upper class and the business market. The three large hotels in Puerto Princesa City should focus on the business and convention market as they are located relatively close to the airport. They should cooperate with each other in catering for this market by arranging conferences and accommodate the business visitors in those three hotels. A new hotel could also be located on one of the islands in Palawan offering a casino, especially for visitors.

For the long run the hotels should focus on the international business market. If the airport is going to be international, Puerto Princesa City is located at a very good destination for international business. It is easy reachable for most of the visitor markets and it is located relatively close to all the booming markets e.g. China and India. Therefore, Palawan in the future will have a strategic competitive advantage over the other destinations. They might be able to compete with Singapore as Palawan will have more attractions for the incentives market e.g. nice beaches and more natural attractions. For the existing hotels it would be wise to expand in the future and offer more conference facilities and incentives as this is in line with the government plans for Puerto Princesa City.

For the resorts it could be a good idea to focus on eco-tourism, they could encourage the sustainability of Palawan, by making their accommodation facility more eco friendly e.g. transform it into an eco-lodge. They could use native materials and involve the local community for this. If they will market this to the new international visitors that will arrive in Palawan, this could definitely be a good niche, as the world is becoming more environmentally aware, through e.g. climate change conferences and hybrid cars. It could also be an idea to include a small business where the visitors could see how local handicrafts are produced e.g. a small souvenir factory, where handicraft producers could produce as well as sell their products.

Ferry companies

The ferry companies are facing a lot of competition from the airlines, especially from Cebu Pacific as the price of the ferry at the moment is almost the same as the price of an airline ticket. The visitor market for the ferry company is mostly domestic.

It is recommended that the ferry companies should upgrade their standards and offer more luxurious facilities on board. If they could do this, they will make the boat trip a luxury item. The product on offer could be a cruise facility that could cater for the wedding market as well. This will attract a different visitor market, mostly more upper-income visitors who will spend more money on the facilities on board. Furthermore this could decrease the competition with the airlines, as the boat-ride will be a pleasurable experience with all the facilities on board, e.g. swimming pool, karaoke bar, fine dining. This will lessen the stress of the 24 hours boat ride considerably and the airlines will not be able to offer the same product.

The existing ferry companies could offer more trips a week to Palawan, when the demand of tourism starts increasing. They could also lower the amount of hours that it takes to travel from Manila to Palawan, by using ferry with higher speeds. By doing this they can attract more visitors in the future. The existing ferries could take into consideration that Westerners are taller as some do not fit in the ferries as they are made for Asian people. They should keep their security standards as this will give them a competitive advantage over the airlines. They should also maintain their environmental standards by using waste management and recycle programs. The ferry companies should also keep involving the local community in welcoming the tourists to Palawan and an idea could be to provide the local community with traditional clothes of The Philippines. This could enhance the tourist's experience.

4 Complexity in tourism and stakeholders' perspectives

Drs. Carin Rustema

Roel Sprangers

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Dr. Brian Wheeler

In the previous chapters, the unpolished partial results have been presented of the first field research conducted in 2007 at one of the three tourism destinations, Palawan in The Philippines, within the framework of the Master Programme Tourism Destination Management at NHTV Breda University of Applied Sciences.

During a stay of nearly four weeks, a group of 10 students has taken up the challenge of trying to understand the complexity of tourism development in a so called "emerging tourism area". They have presented their research results, made their analysis, drawn their conclusions and formulated their own recommendations on how to further develop the tourism sector of Palawan.

The field research project was designed as a learning methodology for students. It is not a professional policy advisory service. Through this learning process, Tourism Masters students are immersed in the complexities of tourism development in different contextual settings, where they are exposed to both conflicting and converging stakeholder opinions. They are entitled to make and learn from their mistakes, they may misinterpret and not fully understand the cross-cultural complexity and reality at the destination they are visiting. Moreover, these students came from four different nationalities and have to overcome their own cultural bias: they have to learn how their fellow students view this tourism reality and how they perceive possible solutions.

Consequently, one cannot expect that these three reports present a complete and coherent analysis of tourism developments, issues and problems in Palawan. Though they do reflect a snapshot of these issues and perspectives from “an outsider’s view”, which sometimes might shine new light on existing situations. The comparison between Boracay and Palawan, the case descriptions of the three small tourism enterprises, and the application of Porter’s five forces model to Palawan might be of use to tourism developers in Palawan and Puerto Princesa.

As part of our commitment to Palawan Tourist Development, where the Puerto Princesa City Government is convinced of the necessity to put into practice principles of sustainable development, these small contributions have encouraged us to finalise this short publication. In this last chapter we will try to reflect upon the lessons learned by students and staff. It also provides a short feedback to the stakeholders involved and states some of the issues that were not comprehensively touched upon in this publication.

It should be noted that as supervisors we have mainly been in the City of Puerto Princesa, responding to the needs of our students. Feedback sessions and consultancy meetings were the key means to contribute to their work. However, while spending time at this destination as tourism professionals and discussing issues of concern with students, we have developed our own thoughts and reflections on what we have encountered. We would like to address a few issues that are worth mentioning, that might well be the topics of future tourism research on Palawan.

The fieldwork project in Palawan has once again confirmed to the staff that the cooperation with local stakeholders is of great importance for the students in executing their research. Having a research environment with a general positive attitude towards the students is a significant advantage. Of course, considering the time frame of the research period, less than 4 weeks is short for conducting in-depth research. Nevertheless, when students work well together and make optimal use of their research skills and

the available information, some remarkable results can be achieved. One of the most notable experiences we felt in Puerto Princesa that helped enormously was the warm and positive attitude towards tourists and tourism development by most residents.

It is quite special to experience this, meanwhile realizing that this is part of the first stages of tourism development. We can only hope that tourism development, just for once, does not lead to a change of attitude towards the tourists and that Puerto Princesa can keep its charm under the pressure of large-scale developments and the change to a more materialistic society.

In this same line of reasoning we cannot stress enough that main tourism stakeholder groups can in general benefit most from communicating and informing each other. Sharing information, just like it helped the students who executed the research, can solve many issues.

Putting Palawan in the global context of tourism development is essential when discussing plans for future tourism development. As students mentioned in their recommendations it is advisable to do extensive market research, for The Philippines as a country, but for Palawan and Puerto Princesa on a more local level as well. With the help of targeted marketing, the planners and developers (government) at a destination can, to a certain degree, control the perceived image of a destination and attract a type of visitor that corresponds with its sustainable objectives.

With a large influx of tourists ahead, the extent to which its visitors influence a destination should not be underestimated. Predicting tourist behaviour is, in the case of Palawan, even more complex due to the tremendous growth of new, regional (Asian) tourists markets. In this case, market information cannot be based on case studies of destinations where mainly so-called "western" tourists have created growth. Palawan faces a new challenge here.

A comprehensive assessment of development issues, encompassing as they do complex dilemmas and conflicts, is

clearly beyond the scope of this brief report based on such a relatively short visit. However, an attempt is made to set Palawan's current situation as regards tourism development and its potential within an established framework of experiences gathered elsewhere. Should there be 'development'? Should Palawan be 'fossilised'? Is there a compromise? The potential damage generated by any form of development to the fabric....cultural, social, physical etc...of Palawan is clearly enormous. Tourism is no exception.

Tourism as a development tool has a debatable track record and one that is increasingly coming under scrutiny. Attention is being drawn to the dangers, real and potential, created by tourism development. What is becoming evident is that whilst there are some benefits from tourism, there are also inevitable accompanying costs. The tourists, of course, usually always benefit but only some of the local people reap any reward. The costs, however, tend to be almost exclusively borne by (some of the) local people – quite often those that aren't getting any benefit whatsoever from tourism.

Recent claims that the so-called new forms of tourism, notably sustainable tourism and eco tourism, can somehow miraculously generate all the required benefits – income, jobs, cultural and environmental enhancement – without the inevitable negative impacts of social, cultural and environmental deterioration and degradation must be treated with extreme scepticism and caution. Eco/sustainable tourism is not a painless panacea: it too has its price.

Decision makers must be fully informed as to the likely consequences. One fears that, for whatever reason, this is not, in fact, always the case. Amongst some of the stakeholders in Palawan there seemed to be a wonderfully endearing, but painfully naïve, optimism as to what tourism development might bring. However well intentioned, even well managed tourism will have a significant impact on such a vulnerable socio/cultural/economic and physical environment as Palawan, bringing with it irrevocable change. Beware of the tourist.

Scale and tourist numbers are obviously important. If, from the perspective of the host community, tourism is to generate substantial income and a significant number of jobs (full-time/all-year round?) in relation to the economic scale of the area, then surely the development has to be of a significant size. And yet large scale tourism development brings with it 'large scale' problems...

Similarly though, there are also difficulties if development is kept to a more modest scale. Even with high spending customers, the fact remains that a small –scale development catering for small numbers will only have a correspondingly small effect on income and employment. The argument that together a number of small projects operating in unison could make a significant economic impact might be acceptable but then, of course, the aggregate number of tourists would also increase to significant (intolerable) levels. And this is the very situation that new forms of tourism are supposedly trying to avoid.

And then there is the matter of 'controlling' development. This does not just apply to the physical development in the sense of a new hotel complex, it raises issues of controlling the movement and flow of tourists around the destination as a whole. Plans and planning control may be put in place but once tourism development is established it is hard to see how it can be controlled. Practically, it is impossible to see how these, or any other restraints, will in reality apply or be adhered to because of the pressures exerted by the tourists, the tourism operators and indeed segments of the local people themselves. If, for example, the latter perceive that short-term gains can be obtained by relaxing any 'codes of practice'/ restrictions, they will do so. This is, of course, the central issue. You can have codes of practice, legislation, whatever, but unfortunately these are going to be relaxed or avoided as pressure for more growth and more money increase. Similarly, in terms of carrying capacity, even though there may be apparent quotas on the number of tourists, or tourist groups and even the numbers of tourist within each group,

one can suspect in reality, faced with 'unforeseen' economic/commercial realities, these too will be relaxed. And development will inextricably grow. This pattern is very common elsewhere.

The model of sustainable development as implemented by Puerto Princesa, seems so far, to have been reasonably successful because it has been appealing to people's spontaneous reply on historical development problems (limited water supply because of illegal logging, problems of commercial fishing destroying local income etc.)

Things become more complicated when trying to apply this model to the development of tourism, especially because local people urge government to act: unemployment is high (because of limited income sources as many activities have been banned or forbidden) and there is pressure to come with results. Besides this, the global context in which tourism development takes place, endangers other achievements on more local development.

Tourism is a service sector. Destinations can only be promoted through opening and liberalizing their consumer markets and allowing increased visitor numbers. It seems that the City government of Puerto Princesa, as well as other relevant stakeholders at the destinations, lack market knowledge and a vision on how to increase the number of visitors. Although everyone is welcoming tourists, this demonstrates at the same time a reactive attitude. Is everyone really welcome, or are some tourists more welcome than others? If yes, who, and why?

The increased visitor numbers, and especially the lack of market information, can lead to serious management problems (hotel capacity, airport investments needed, transportation problems etc.) and related negative impacts. It seems impossible for the City Government of Puerto Princesa to control all these actions, mainly because of the challenging context and the variety of (new) stakeholder's interests, which are sometimes conflicting and need attention. Examples of this are: the involvement of the Palawan provincial government, the plans for new airports in the

north of the province by Korean investors, the important position of the oil industry. City Government, is not in the position to control all these developments. It should be careful of creating a myth whereby tourism is promised as the next round in sustainable development. As an alternative, the City Government might as well better motivate stakeholders to cooperate and jointly implement plans, where the City Government should play its role as a facilitator especially when the second stage of tourism development starts.

Tourism management problems appear to require major focus. City Government might be supportive in managing tourism and visitor numbers in a satisfactory way for clients as well as for local inhabitants. This should start with defining and attracting the preferred target markets (national as well as international) and obtaining and presenting this knowledge to the stakeholders involved.

The recent developments of visitor management in the Underground River National Park are exemplary to this. It seems that, when it comes to promoting the city of Puerto Princesa to visitors, like delegates or conference groups (who have only limited time to visit attractions), the principle of sustainable development is sometimes put aside to enable these groups to visit the Underground River, even if they exceed the established daily carrying capacity numbers.

This indicates the tension between sustainable management of resources and promotion of the business tourism destination of Puerto Princesa. Keeping in mind the expected tourism growth, this issue is likely to surface more regularly in the future. Developing and adopting a sound visitor management system would be benefiting nature and tourist alike.

We have tried to come up with some reflections on these development topics and hope it has been of use. Once again: it was a pleasure visiting the destination and working as professionals with the many parties who can contribute to making Palawan, and Puerto Princesa, a place worth visiting. Now, and in the future!

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