



Ministry of Tourism
Government of Tonga

TONGA TOURISM CRISES IMPACTS ASSESSMENT REPORT

MINISTRY OF TOURISM, TONGA

December 2022





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ABBREVIATIONS

ALOS	average length of stay
CD	completely destroyed
GDP	gross domestic product
HT-HH	Hunga Tonga – Hunga Ha’apai
MD	minor damage
MoT	Ministry of Tourism, Tonga
PDRA	Post Disaster Rapid Assessment
PPPV	per person per visit
PSDI	Pacific Private Sector Development Initiative
SD	severe damage
SMEs	small and medium-sized enterprises
TC	Tropical Cyclone
TCI	Tourism Crises Impacts
TDB	Tonga Development Bank
TOP	Tonga Pa’anga
TTA	Tonga Tourist Association
TTAB	Tonga Tourism Authority Board
UNWTO	United Nations World Tourism Organization
USD	United States Dollar
VFR	visiting friends and relatives

FOREWORD



Tourism has always been significant to employment and development in Tonga. The disruptions we have all experienced over the past two-and-a-half years have thus deeply affected Tonga's people, tourism sector, and wider economy. Our country, however, has also had to face additional disruption and destruction from two natural disasters during this time.

As the Minister responsible for Tourism, I am honoured to share with you the Tonga Tourism Crises Impacts Assessment Report. The report outlines and assesses the costs to our people and country stemming from COVID-19, Tropical Cyclone (TC) Harold and the Hunga Tonga, Hunga Ha'apai (HT-HH) volcano eruption and resulting tsunami.

Tonga was left with no choice but to close its borders in March 2020 to keep COVID-19 at bay. Soon after, TC Harold hit, causing major damage to tourism businesses already facing major financial losses from the shutdown of inbound tourism.

Barely 24 months later, Tonga faced the shock of the HT-HH eruption – one of the most powerful in history – and resulting tsunami. The weakened tourism sector now had to address major damages to its physical infrastructure, including communications infrastructure. As if this wasn't enough, COVID-19 broke out in Tonga in February 2022.

The devastating impact of cumulative crises on Tonga's tourism industry is evident but, until now, largely unmeasured. A key role of the Tonga Ministry of Tourism is to support, develop and increase inclusive, sustainable, and resilient tourism in partnership with tourism stakeholders locally and abroad. Action is urgent, and we must have a measurable understanding of the scale of damages and economic losses sustained since early 2020.

This is why the Ministry of Tourism requested an independent impact assessment be undertaken by the Asian Development Bank's Pacific Private Sector Development Initiative.

This assessment provides cost estimates of damages sustained from TC Harold and the HT-HH eruption and tsunami. It also provides estimates for the economic losses from stalled inbound tourism during and following travel restrictions, while providing valuable insights on related impacts. These insights will inform our tourism recovery policy and actions.

Tonga is world renowned as the "Friendly Islands", and for its natural beauty, biodiversity, and culture. This makes me optimistic for the future of the country's tourism industry.

It is by working together through strong and respectful partnerships that we can not only rebuild the tourism sector, but seek to create a sustainable and resilient future.

As Tonga rejoices in the recent reopening of our borders to international visitors, the Government of Tonga is committed to working with all parties – and especially the private sector – to recover from the devastating impacts of multiple crises. The goal is clear – to 'build back' Tonga as an even more attractive and friendly tourist destination.

A handwritten signature in black ink, reading 'Fekitamoeloa Utoikamanu'.

HON. FEKITAMOELOA KATOA 'UTOIKAMANU, MP
Minister For Foreign Affairs and Minister For Tourism

EXECUTIVE SUMMARY

Tonga has faced a series of crises during the past two-and-a-half years: Tropical Cyclone (TC) Harold in April 2020, the Hunga Tonga-Hunga Ha’apai (HT-HH) volcanic eruption and tsunami in January 2022, a 28-month border closure between 2020 and 2022 due to the COVID-19 pandemic, and the local outbreak of COVID-19 in early 2022. These events have caused unprecedented and significant negative impacts on Tonga’s tourism industry, previously estimated to represent 11% of GDP¹.

This *Tourism Crises Impacts Assessment* analyses the effects of the combined crises on the tourism sector.

At the request of Tonga’s Ministry of Tourism (MoT), the Asian Development Bank’s Pacific Private Sector Development Initiative (PSDI), in collaboration with the World Bank, conducted the remote assessment between June and August 2022. The assessment uses data from a Tourism Crises Impacts (TCI) survey completed by 76 tourism businesses (21% of total supply in Tonga), as well as records from the MoT’s assessment of the two natural disasters. It also draws on information provided by the MoT, Tonga Tourism Authority Board (TTAB) and Tonga Tourist Association (TTA).



Royal Sunset Island Resort.

1 PSDI (2021). Pacific Tourism Sector Snapshot for Tonga, based on Pacific Tourism Organisation (SPTO) data.

Damages to Tourism Businesses from Tropical Cyclone Harold



In April 2020, TC Harold **damaged at least 50 tourism businesses** causing an estimated **TOP 16 million in costs of damages** (USD 6.4 million)² to the tourism private sector.

Accommodation businesses

were impacted more than any other category, enduring 80% of all damages.



The largest share of these costs related to **3 accommodation premises assessed as ‘completely destroyed’** and **9 as ‘severely damaged’**. Considering all costs of damages reported in the TCI survey, the total number of **accommodation providers with damages reached 30** (i.e., 18% of providers representing 28% of room supply).



Twenty months after TC Harold and prior to the HT-HH event, **almost 60% of all cyclone-affected businesses had completed works to recover** from cyclone damages.

Damages to Tourism Businesses from the Hunga Tonga - Hunga Ha’apai eruption and tsunami



In January 2022, the HT-HH event resulted in at least **72 tourism businesses³** facing damage costs, which totalled an estimated **TOP 50 million** (USD 20 million) for the tourism private sector.

Accommodation

was again the most impacted sub-sector, with the TCI survey finding



87% of all costs of damages were faced by **45 accommodation properties** (27% of providers representing 32% of room supply).



Some **23 accommodation properties were assessed as ‘completely destroyed’ or ‘severely damaged’** of which **50% had also faced destruction or severe damage during TC Harold**. Three properties were destroyed twice. These businesses face the extreme financial burden of rebuilding twice.



Findings indicate the owners of **several destroyed accommodation/restaurants want to rebuild**, pending funding and/or government approval, while **several accommodation establishments** are reportedly **unlikely to be rebuilt** for financial or personal reasons.



² 1 Tongan Pa’anga (TOP) = 0.40 United States Dollar (USD) (Oct 2022).

³ This is a minimum number based on MoT’s structural assessment conducted in January 2022 plus business self-reporting in the TCI survey in mid-2022. A subsequent survey conducted by TTAB found the number of businesses broadly affected by the eruption and tsunami reached 127. This includes effects that may not have had costs (e.g., self-managed clean-up of ash cover and water contamination).

Tourism business disruptions and loss of earnings during and following border closure

- Throughout the international border closures due to COVID-19 (23 March 2020 to 31 July 2022), **only 22% of TCI survey respondents continued operating**. Some 36% of all tourism businesses (56% for accommodation) closed/hibernated for the entire time, while 42% of all tourism businesses (23% for accommodation) closed for some period of time.
- For those businesses which closed entirely, **more than two years of income was lost**. For those which operated continuously or intermittently servicing the domestic market, revenues did not compensate for international tourism losses. According to TCI survey results, combined gross revenues were down 68% in 2020, 59% in 2021 and 92% for the first half of 2022, compared to 2019.
- Tourism business operations and revenue will likely continue to be disrupted for a couple of years due to an anticipated conservative recovery.

Implications of the crises for firm and sector level recovery

- Within the global tourism crisis recovery context, **Tonga's tourism businesses face particularly challenging conditions which will delay their recovery**. Firstly, at least 20 tourism businesses – predominantly accommodation – cannot be rebuilt/ repaired without financial assistance. Secondly, the intention of business owners to rebuild, recover and become more resilient establishments is out of reach for many due to a lack of finance, insurance or technical knowhow. Thirdly, some tourism businesses that are physically able to reopen cannot do so, or cannot reopen to the same standard as before, due to financial and/or staffing constraints. Finally, some businesses are postponing reopening until there is more certainty about inbound demand returning at a higher level, delaying their recovery.
- **These implications for firms directly affect Tonga's prospects for destination recovery**. Failing to address these underlying issues can undermine the country's economic and tourism development objectives around generating investment, developing small- and medium-sized enterprises (SMEs), 'building back better', supplying high-quality, high-value tourism products and services, and growing international tourism demand.



Vakaloa Beach Resort.

Losses to the visitor economy during and following border closure

- **The loss of international direct tourism receipts in Tonga during the 28-month border closure is estimated at TOP 455.3 million (USD 183 million).** This is based on visitor spend assumptions for a 2019 baseline, assuming the same would have been earned if borders stayed open.
- Tourism revenue losses also extend to unmeasured indirect tourism receipts through backward linkages that have been forfeited, as well as lost government tax revenues.
- **It is likely that international visitor numbers for Tonga will not return to 2019 levels for at least two years after the reopening of borders due to supply and demand factors.** This will mean ongoing losses in tourism receipts for the Kingdom. A recovery scenario based on a conservative rebound of leisure travellers, and moderate but more optimistic rebound of ‘visiting friends and relatives’ (VFR) and business travellers, would put ongoing net losses in direct international receipts from August 2022 to late 2023 at TOP 91.5 million (37 USD million). This indicative figure could be lower with swift and significant investment in restoring access, supply of compelling accommodation and destination marketing. Conversely, it could be higher if there is not adequate investment.

Recommended crises recovery priorities for Tonga’s tourism sector

The recommended priorities for recovering from the crises’ impacts on Tonga’s tourism industry, and enabling sector growth in line with the Kingdom’s vision, are:

1. **RESTORE the damaged but viable tourism operations** that attract target visitors (e.g., resorts based around Tonga’s natural and cultural attributes).
2. **REBUILD private and public tourism infrastructure** with resilient practices and materials that address natural hazards and climate change.
3. **RESUME tourism business operations** at a standard equal to, or better than, before the crises.
4. **REASSURE target markets** that Tonga is safe, ready, and offering compelling tourism experiences.
5. **RESET tourism policy and planning** to reflect current conditions and direct a resilient, sustainable, and inclusive tourism future.

These priorities will require a range of investments, policies and other interventions that address firm- and sector-level implications.

1. INTRODUCTION

Since March 2020, the Kingdom of Tonga has faced multiple crises with significant social, environmental, and economic impacts. The declaration of the COVID-19 pandemic in March 2020 led to the swift closure of Tonga's borders to international visitors until August 2022. While this kept Tonga safe from the virus for almost two years, it damaged the local economy, with tourism particularly hard hit. For a sector estimated to represent 11% of GDP in 2019⁴ and reliant on international visitors for the majority of receipts, the sudden loss of inbound markets resulted in devastating financial losses to businesses and economic losses for the country.⁵ While this shock was shared with other tourism destinations, as was an eventual outbreak of COVID-19 in Tonga, the Kingdom faced two additional crises during this time: Tropical Cyclone (TC) Harold in April 2020 and the Hunga Tonga-Hunga Ha'apai (HT-HH) volcanic eruption and resulting tsunami in January 2022. As a result, Tonga's tourism industry has suffered unique and severe impacts, which may be felt for a couple of years after the August 2022 border opening.

At the request of Tonga's Ministry of Tourism (MoT), the Asian Development Bank's Pacific Private Sector Development Initiative (PSDI), in collaboration with the World Bank, undertook an assessment of the impacts of the crises on Tonga's tourism sector.

The study commenced in June 2022 with a Tourism Crises Impacts (TCI) survey issued to 360 tourism businesses on MoT's database, including accommodation, restaurants, marine activities, ground tour operators and travel agencies (see Annex 3).⁶ The assessment was supported by information and insights provided by the MoT, Tonga Tourism Authority Board (TTAB) and Tonga Tourist Association (TTA).

This report presents the assessment findings, beginning with an analysis of damages to the tourism private sector resulting from TC Harold and the HT-HH event. The nature and scale of damages are discussed and an estimated costs of damages to affected tourism businesses is included. MoT-managed public assets, such as leisure or heritage sites, are not included in this assessment due to limited data for TC Harold and relatively minor damages reported for the HT-HH event. Other tourism-enabling public assets (i.e., airport and port infrastructure) are outside the scope of this study.

The report continues with analysis of the disruption to businesses and their income as a result of these natural disasters combined with the extended COVID-19-related international border closures and outbreak in February 2022. Due to limited data on actual business revenue losses, the assessment includes a 'macro' estimate of the loss of international tourism receipts during the border closure and immediately following reopening (based on conservative recovery rates).

Finally, the assessment considers the implications of the combined crises' impacts for the recovery of tourism businesses, and the sector overall. It closes with a summary of proposed priorities for the recovery of Tonga's tourism sector, and future growth in line with the Kingdom's stated vision for tourism.⁷

Following this Impact Assessment and during the border reopening period, TTAB conducted an in-depth situation analysis to explore tourism business recovery status and needs. Those findings are expected to complement this Impact Assessment.

4 PSDI (2021). Pacific Tourism Sector Snapshot for Tonga, based on Pacific Tourism Organisation (SPTO) data.

5 Tonga's GDP contracted 0.8% in fiscal year 2020 and 5.3% in fiscal year 2021 (Source: ADB Member Fact Sheet for Tonga, August 2022). Although the extent to which the decline in tourism influenced these contractions is not quantified, the sector's previous contribution to GDP suggests it was significant. Section 3 explores economic losses in visitor spend terms.

6 The survey deadline was extended twice at industry's request to allow further time for requested data to be compiled, before closing in August 2022. With a 21% response rate (76 businesses), the survey data directly informed key findings in this report and was used to represent sample groups by business type/size for certain estimates. Where survey responses were not sufficient to make reliable assumptions on industry-wide effects, other data, resources and/or stakeholder insights were sought, and alternative methods applied to determine reliable conclusions (see Annex 2).

7 The country's tourism vision as presented in the Tonga Tourism Roadmap 2018-2023 is that "Tourism will be the key driver of Tonga's sustainable future economic growth, enhancing our unique culture and heritage, supporting environmental protection and increasing wealth for all Tongans".

2. IMPACTS OF MULTIPLE CRISES ON TONGA'S TOURISM BUSINESSES

2.1 Damages to tourism businesses from TC Harold

In April 2020, TC Harold damaged at least 50 tourism businesses, with 12 determined by MoT to be destroyed or severely damaged. The MoT's April 2020 assessment of accommodation businesses concluded that three were 'completely destroyed', nine sustained 'severe damages', and four (together with one marine operator) suffered 'minor damages'⁸ (see Table 1).

In the more recent TCI survey, 33 additional firms⁹ self-reported costs of damages from TC Harold for four aspects: (i) clearing the site; (ii) reconstructing/repairing destroyed or damaged structures; (iii) replacing contents, such as stock and furnishings; and (iv) replacing/repairing other affected assets, such as vehicles or boats.

Although these costs have not been independently verified, the results indicate that the number of tourism businesses sustaining damages requiring more than a clean-up is higher than the MoT's building assessment figures (see Table 1).

Accommodation businesses were impacted more than any other category, with around one third of those located on the main island of Tongatapu.

The three completely destroyed properties were beach resorts in the northwest of Tongatapu¹², while several other resorts/lodges on Tongatapu and at least one each on the islands of 'Eua, Ha'apai and Vava'u were reported by MoT as sustaining severe or minor damage. These properties represented 173 rooms (12% of Tonga's 2019 room inventory), although the number is higher when taking into account TCI survey self-reported damages (18% of accommodation businesses, representing 28% of room supply).

The estimated number of tourism businesses damaged by TC Harold is lower than the 130 recorded for TC Gita in 2018, although it should be noted that the assessment for TC Gita used a different approach. Whereas the above numbers for TC Harold were based on MoT's determination of structural status, supplemented with TCI survey data where available, the Post Disaster Rapid Assessment (PDRA) for TC Gita entailed face-to-face interviews with a larger sample of tourism businesses across all categories. Data was collected across the four cost aspects noted above (not just building damage), and evidence of costs was obtained from receipts or independent professional quotes. Therefore, any comparison of effects must be treated with caution.

TABLE 1. NUMBER OF TOURISM BUSINESSES SUSTAINING DAMAGES FROM TC HAROLD

Tourism Business Category	# Assessed by MoT as Completely Destroyed (CD)	# Assessed by MoT with Severe Damage (SD)	# Assessed by MoT with Minor Damage (MD)	Total # Assessed by MoT as damaged by TC Harold	Minimum # Businesses estimated to have faced damages costs from TC Harold (MoT & TCI survey) ¹⁰	As a % share of all tourism businesses (2019 baseline)
Accommodation	3	9	4	16	30	18%
Restaurant	-	-	-	-	11	10%
Other ¹¹	-	-	1	1	9	12%
TOTAL	3	9	5	17	50	14%

8 MoT categorisation of levels of damage applied to buildings: 'Completely destroyed' (CD) = buildings gone and only land remaining; 'Severe damage' (SD) = a lot of structure destroyed but some still standing that can be utilised; and 'Minor damage' (MD) = part of the buildings damaged (e.g., floors) but structure still standing.

9 Tourism business categories based on MoT's license categories: accommodation, restaurants, marine activities, ground tour operators, and travel agencies.

10 This is assumed to be a minimum number as only 20% of tourism businesses completed the survey, and it is likely that other businesses may have faced costs of damages across the four aspects described above.

11 Other represents marine activity operators, ground tour operators, and travel agencies.

12 Liku'alofa Beach Resort, White Sands Beach Resort and Tuekava Beach Resort.

The costs of damages to tourism businesses from TC Harold are estimated to surpass TOP 16 million (USD 6.4 million). This estimate reflects TCI survey respondents' self-reported costs across the aforementioned four aspects of 'damages', with the addition of proxy values¹³ for remaining MoT-assessed destroyed or damaged businesses (for which surveys were not completed).¹⁴ Table 2 shows the breakdown of total costs of damages by category, highlighting that accommodation businesses bore 80% of these costs. There were likely additional unaccounted costs of damages faced by other tourism businesses that (i) were not identified by MoT as destroyed/damaged, and (ii) did not complete the survey, such as costs associated with cleaning up debris, small-scale repairs or using generators. However, there is insufficient data to make a reliable assumption about the additional cost of these across the tourism sector (Note: costs of damages do not include financial losses resulting from the disaster, which are discussed in Section 2.4).



Ohelei Beach Resort.

TABLE 2. ESTIMATED COST OF DAMAGES OF TC HAROLD TO THE TOURISM PRIVATE SECTOR

TOURISM BUSINESS CATEGORY	ESTIMATED COST OF DAMAGES FROM TC HAROLD
Accommodation	TOP 12.6 million (USD 5.0 million)
Restaurants	TOP 3.2 million (USD 1.3 million)
Other	TOP 0.20 million (USD 0.08 million)
TOTAL	TOP 16.0 million (USD 6.4 million)

The largest expense to businesses was reconstructing destroyed buildings and repairing damaged ones. This represented 65% of the total costs quoted by TCI survey respondents, followed by damaged/lost contents (17%), damaged/lost other assets (13%) and clean-up (5%).

As of early 2022 (20 months after TC Harold and prior to the HT-HH event), more than half of all cyclone-affected businesses had completed works to recover from damages related to TC Harold. According to the TCI survey, 58% of respondents had finished all reconstruction and repairs by January 2022. For the 27% who had partially completed works and the 15% who hadn't started, delays were due to a range of factors. These included financial constraints stemming from loss of income, lack of availability of commercial finance, and lack of insurance payouts, which prevented swift rebuilding. Additionally, some business owners intentionally postponed reinvestment due to uncertainty about when the crisis would end (Note: in terms of insurance, it is anecdotally reported that 25-30% of businesses were insured at the time).

¹³ Proxy values for costs of damages to MoT-assessed destroyed/damaged accommodation that did not complete the TCI survey are based on sample groups deduced from survey data (see Annex 2). For non-accommodation businesses (restaurants, marine activities, ground tour operators and travel agencies), only self-reported costs are included in the total, as there are no known other damaged businesses requiring proxy values.

¹⁴ It is acknowledged that self-reported, unverified costs may result in over/underestimating values, as may the application of proxy figures from sample groups of destroyed/damaged survey respondents; however, the adopted approach provides a reasonable benchmark in the absence of independent cost estimates by building and contents experts.

2.2 Damages to tourism businesses from the HT-HH event

The HT-HH volcanic eruption and tsunami in January 2022 resulted in at least 72 tourism businesses facing damage costs. Approximately one third were determined by MoT to be destroyed or severely damaged. According to the MoT's assessment of affected accommodation and restaurants undertaken in January, 37 business premises sustained notable damages, with 15 identified as 'completely destroyed', 11 suffering 'severe damages', and 11 with 'minor damages'¹⁵ (see Table 3). The mid-2022 TCI survey identified 35 other businesses self-reporting costs of damages resulting from the disaster. As with TC Harold, these could not independently be verified. However, the detailed costings for site clearing, reconstructing/repairing destroyed or damaged structures, and repairing/replacing contents or other affected assets indicate that the number of businesses sustaining damages that required more than a clean-up is higher than MoT's structural assessment count (see Table 3).¹⁶

Accommodation on Tongatapu represented the largest share of tourism businesses affected by this disaster. All nine restaurants evaluated by MoT as completely destroyed or damaged, and 26 of the 28 accommodation providers, were based on Tongatapu, with just two on 'Eua. These included beach resort,

guesthouse and hotel categories, representing 21% (300 rooms) of Tonga's pre-COVID-19 room supply. Taking into account all accommodation providers reporting costs of damages in the TCI survey, the number of impacted properties reaches 45 (27% of all accommodation providers), representing 450 rooms (32% of room supply).

The costs of damages to all tourism businesses from the HT-HH event are estimated to be almost TOP 50 million (USD 20 million). As with TC Harold, this estimate reflects TCI survey respondents' self-reported costs across the aforementioned four aspects of 'damages', with the addition of proxy values¹⁸ for remaining MoT-assessed destroyed or damaged businesses (for which surveys were not completed).¹⁹ There were likely additional unaccounted costs of damages faced by other tourism businesses that (i) were not identified by MoT as destroyed/damaged and (ii) did not complete the survey, such as costs associated with cleaning up ash cover and contaminated water, using fuel for generators or communication. However, there is insufficient data to make a reliable assumption about the additional costs these imposed across the tourism sector. In many cases, self-managed clean-up reportedly did not incur costs. Table 4 presents the estimated total costs of damages for the HT-HH event by tourism category (Note: costs of damages do not include financial losses resulting from the disaster, which are discussed in 2.4).

TABLE 3. NUMBER OF TOURISM BUSINESSES SUSTAINING DAMAGES FROM THE HT-HH EVENT

TOURISM BUSINESS CATEGORY	# Assessed by MoT as Completely Destroyed (CD)	# Assessed by MoT with Severe Damage (SD)	# Assessed by MoT with Minor Damage (MD)	Total # Assessed by MoT as damaged by HT-HH	Minimum # Businesses estimated to have faced damages costs from HT-HH event (MoT & TCI survey) ¹⁷	As a % share of all tourism businesses (2019 baseline)
Accommodation	14	9	5	28	45	27%
Restaurant	1	2	6	9	18	16%
Other	0	0	0	N/A	9	6%
TOTAL	15	11	11	37	72	20%

¹⁵ See Section 2.1 for MoT criteria to determine 'completely destroyed', 'severe damage' and 'minor damage'.

¹⁶ Whereas the minimum number of businesses facing costs of damages is 72 according to MoT's structural assessment and the TCI survey self-reported costs of damages, a subsequent TTAB survey found that the number of businesses more broadly affected by the eruption and tsunami reached 127. This number includes businesses suffering effects that may not have incurred costs (e.g., self-managed clean-up of ash cover and water contamination).

¹⁷ This is assumed to be a minimum number as only 20% of tourism businesses completed the survey, and it is likely that other businesses may have faced costs of damages across the four aspects described above.

¹⁸ Proxy values for costs of damages to MoT-assessed destroyed/damaged accommodation and restaurants that did not complete the TCI survey are based on sample groups deduced from survey data (see Annex 2). For other business types (marine activities, ground tour operators and travel agencies), only self-reported costs are included in the total, as there are no known other damaged businesses requiring proxy values.

¹⁹ It is acknowledged that self-reported, unverified costs may result in over/underestimating values, as may the application of proxy figures from sample groups of destroyed/damaged survey respondents; however, the adopted approach provides a reasonable benchmark in the absence of independent cost estimates by building and contents experts.

TABLE 4. ESTIMATED COST OF DAMAGES OF THE HT-HH EVENT TO THE TOURISM PRIVATE SECTOR

TOURISM BUSINESS CATEGORY	ESTIMATED COST OF DAMAGES FROM THE HT-HH EVENT
Accommodation	TOP 43.4 million (USD 17.5 million)
Restaurants	TOP 6.0 million (USD 2.4 million)
Other	TOP 0.45 million (USD 0.18 million)
TOTAL	TOP 49.9 million (USD 20.0 million)

The largest expense to businesses was reconstructing destroyed buildings or repairing damaged ones. This represented 72% of the total costs quoted by TCI survey respondents, followed by damaged/lost contents (16%), damaged/lost other assets (9%) and clean-up (3%). As at mid-2022, 35% of the total costs of damages had been paid by surveyed tourism business owners, although the share was much lower for destroyed businesses.

Accommodation establishments sustained the majority (87%) of the estimated total costs of damages from the HT-HH event, with several properties facing costs in excess of TOP 1 million (USD 400,000). Of the 34 accommodation respondents to the survey who self-reported costs of damages from HT-HH, more than half cited an amount below TOP 100,000, one quarter between TOP 100,000 and TOP 500,000, a few around the TOP 1 million mark, and a few between TOP 3 and 5 million. Just one exceeded TOP 10 million. Applying the same proxy 'cost of damages' values from sample groups noted above, it is assumed several other properties fall into the less than TOP 100,000 bracket, and several more between TOP 500,000 and 2.5 million.

The cost of damages for restaurants and other tourism businesses was lower than for accommodation but nonetheless significant, reaching an estimated TOP 6 million (USD 2.4 million) for restaurants alone. The range of costs for restaurants was wide, with one (attached to accommodation but with disaggregated costs) an outlier at the high end, while a few restaurants had

costs of less than TOP 10,000. For marine activities, ground tour operators and travel agencies, the costs reported in the survey by 10 respondents were counted under 'other', and there are no more known damaged businesses in these categories.

Only 17 (30%) of the surveyed damaged businesses had insurance and, as of mid-2022, seven had received a payout. The low levels of insurance uptake are reportedly due to high policy costs and exclusions, as well as the fact that some premises are leased by the tourism business license holder, so (building) insurance is out of their control. The low level of payouts is reportedly due to claims being denied or decisions delayed, or businesses' policies not covering such an event.

Around 38 tourism businesses reported sustaining damages from both TC Harold and the HT-HH event²⁰, compounding the 'cost of damages' burden to these business owners. At least 11 accommodation businesses were especially hard hit, having been assessed by MoT as 'completely destroyed' and/or 'severely damaged' by both events²¹. Three of these businesses were beach resorts destroyed twice.²² As most of the impacted business owners had started or completed TC Harold repairs when the tsunami hit, they have faced the extreme financial burden of rebuilding twice.

Anecdotal reports and survey responses indicate the owners of several destroyed accommodation/restaurants want to rebuild, pending funding and/or government approval, while several accommodation establishments are unlikely to be rebuilt. As of August 2022, all 14 destroyed accommodation properties are yet to be rebuilt, with half intending to rebuild if funds and approvals can be secured. For the nine severely damaged accommodations, three are yet to rebuild, while the five with minor damage have been repaired and are operating. Importantly, 42 out of the 46 survey respondents from damaged accommodation and restaurant businesses indicated they will consider more resilient design measures in their reconstruction/

²⁰ Based on both MoT records and TCI survey responses.

²¹ The self-reported number is higher (16); however, as this evaluation of damage level is subjective, it is not counted here.

²² Liku'alofa Beach Resort, Tuekava Beach Resort and Whitesands Beach Resort were destroyed twice, with the former two sites having completed reconstruction when the tsunami hit.

repairs. Four specified they intend to reconstruct buildings on the existing site, eight plan to relocate on the same parcel of land, and 21 want to relocate to a new site. This demonstrates continued resilience within Tonga's tourism industry.

Further, the cost of damages from this event to leisure or heritage sites managed by MoT is reported to be around TOP 300,000 (USD130,000).²³ This includes clean-up, damage repairs and replanting at three affected locations (Abel Tasman Landing Place, Niutao Beach, and Nuku'alofa waterfront area). It also includes the cost of ash clean-up at sites in Ha'apai and Eua.

2.3 Disruptions to tourism businesses during and following border closure

Throughout international travel restrictions (23 March 2020 to 31 July 2022), only 22% of Tonga's tourism businesses continued operating over the whole period.²⁴ According to the TCI survey, 36% of all tourism businesses (56% for accommodation) closed/ hibernated for the entire time, while 42% of all tourism businesses (23% for accommodation) closed for some period of time. As would be expected, restaurants represented the highest proportion of those which stayed open, given their higher volumes of domestic customers. It is noted that even for tourism businesses that did operate, this was typically at a reduced capacity. These surveyed businesses reported a reduction in staff numbers of 28% in 2020, 39% in 2021 and 45% in the first half of 2022 (compared to 2019).

The nature, scale, and timing of operations for businesses that opened intermittently varied, with internal and external factors influencing owners' choices. Decisions to open or close over certain periods changed with evolving circumstances, starting from the closure of borders through to mid-2022. This included factors specific to a business (demand volumes, financial capacity, staff availability, and confidence/uncertainty levels), as well as external disruptions (TC Harold, the HT-HH event and the February 2022 COVID-19 outbreak).



White Sands Beach Resort.

Despite the reopening of borders in August 2022, disruptions to tourism operations are expected to continue, with the majority of tourism businesses yet to return to pre-COVID-19 conditions. In the TCI survey, launched two months prior to borders reopening, 51% of tourism businesses expected to be operating when travel restrictions lifted.²⁵ A range of supply and demand factors will influence continued disruption. Firstly, as noted above, several accommodation establishments damaged by the HT-HH event have not yet been rebuilt, while other operators are yet to complete repairs. Secondly, some marine operators in Vava'u are delaying restarting their business until airport maintenance is completed next year, allowing Fiji Airways to resume direct flights. Thirdly, some tourism businesses do not have the financial means and/or staff to resume operations (discussed in more detail in Section 2.5). Finally, some business owners are waiting for evidence of international tourist demand rebounding before reopening or scaling up operations.

²³ Sum of MoT estimates.

²⁴ It is not clear if these businesses were not affected by COVID-19-related lockdowns, or if their response only related to non-lockdown periods.

²⁵ TTAB has since advised a similar percentage for accommodation in Tongatapu that resumed in August (19 out of 35).

2.4 Loss of income for tourism businesses due to the crises

Based on the survey's 36% closure rate for tourism firms during travel restrictions, around 130 businesses would have lost all income for more than two years.

This has been devastating for business owners, given household and many business expenses (e.g., business fees, maintenance costs, utility bills) continued to be incurred.

While the 64% of survey respondents which operated continuously or intermittently were able to generate some income from domestic customers during the border closure period, gross revenues were significantly lower than in 2019, averaging a 68% decline in 2020, 59% in 2021 and 92% for the first half of 2022. The domestic market represented a small share of revenue for most surveyed businesses prior to border closures (averaging one quarter of combined earnings in 2019), but it became the primary source of revenue during the crisis. Many accommodation and restaurant operators that previously focused on inbound tourists turned to or scaled up their domestic client base with dining, functions, catering and/or takeaway offers. In most instances, however, income fell short of compensating for the loss of revenue from inbound markets. Only six out of the 36 respondents to this question reported retaining 2019 income levels.

To survive the crisis, 34% of survey respondents pivoted to new markets and 18% sold off assets.

Most of those who reported pivoting were shifting from inbound to domestic markets, but other examples of diversification included growing crops, raising livestock, fishing, making handicrafts, manufacturing goods, providing consulting and maintenance services, and leasing properties/rooms. Income from these channels was not reported, but presumably minimal. Selling off assets such as cars, boats, engines, and furnishings also became a source of cash for struggling business owners.

The income losses experienced since March 2020 cannot be disaggregated by crisis; however, it is evident that the HT-HH event, and subsequent COVID-19 outbreak in early 2022, reduced the domestic market revenue that tourism businesses had come to rely on. Combined gross revenues for survey respondents in the first half of 2022 were 46% lower on average than 12 months prior. This is due to those domestic market-serving businesses being forced to close due to damages and/or COVID-19-related lockdown from 1 February 2022 to 2 April 2022.

In terms of the value of losses faced by tourism businesses during this extended period, the survey data is insufficient to determine a reliable estimate for the sector or sub-sectors. The limited number of survey responses with financial data, and limited information on total tourism supply by relevant variables (type, size, standard, operating timeframes, and demand levels), means that losses by sample groups cannot reliably be extrapolated to estimate losses by tourism business category. Tax returns can serve as a source of this information for the Government of Tonga but, in the meantime, this assessment applies alternative approaches. In the first instance, it draws on available firm-level research for marine activities earnings pre-COVID-19 to estimate subsequent losses (see below). In addition, it applies a 'macro' approach to estimating the economic loss of direct international visitor receipts during border closure, based on visitor spend assumptions.

For whale watching and swimming operators, estimated losses of TOP 20 million (USD 8 million) during the border closure period can be determined using pre-COVID-19 research on these activities.

MoT's detailed analysis of business earnings from whale watching and swimming tours in 2019 determined a total of TOP 8.8 million, noting this was during the four-month season (July to October). These earnings were forfeited during travel restrictions, which extended over two-and-a-quarter seasons before borders reopened.

For many of Tonga's tourism firms, income from international markets will continue to be forfeited well after the reopening of borders. The expected disruption to business beyond the August 2022 border reopening will have ongoing effects on income. The approximately 20 tourism businesses unable to reopen due to damages from the HT-HH event will continue to face income losses from both international and domestic markets until they are able to restart operations. This also applies to businesses for which reopening will be delayed by other factors mentioned above, with many marine operators expected to lose revenues for a third season. Even for tourism businesses that reopen, the likelihood of a modest recovery of demand, especially for leisure tourists, may place income at lower levels than 2019; notwithstanding, some might benefit from reduced room supply. In the absence of sufficient baseline firm-level financial data to apply to recovery scenarios, a macro approach is also taken to estimate losses in direct international tourism receipts during an anticipated slow recovery (see Section 3.3).



Kanokupolu Village.

2.5 Implications of the crises for firm and sector-level recovery

Within the global tourism crisis recovery context, Tonga's tourism businesses face particularly challenging conditions due to damages from two natural disasters, combined with accumulating financial losses during the border closure. This section brings together the multiple impacts raised to date to assess what that means for business owners and the sector.

At least 20 tourism businesses - predominantly accommodation - cannot be rebuilt/repaired without financial assistance. A range of factors mean that even previously successful and prudent business owners do not have the financial capacity to recover. The sources of finance they would typically access to recover after a crisis are unavailable or insufficient. Savings have been exhausted during an extended period of reduced or no income. Insurance payouts have helped very few businesses due to low rates of insurance (driven by exclusionary and cost-prohibitive policies), as well as insufficient payouts (driven by underinsurance and claim denial). Commercial debt is no longer an option for most; on the supply side, banks are reluctant to lend to the currently risky tourism sector, while on the demand side, businesses have faced challenges paying off previous debt with limited revenues.²⁶ Government assistance has been provided in response to the crises the form of Tonga Development Bank (TDB) loans and Emergency Relief Fund grants.²⁷ However, some affected businesses claim they were unable to access these funds, and that the amounts were too small for larger reconstruction projects.

Rebuilding efforts may also be impeded by construction labour and material shortages.

Whereas some industry accounts indicate this is not yet a critical problem, a shortage of skilled construction workers and building materials may emerge as a constraint to restoring supply when remaining reconstruction projects are ready to commence.

²⁶ Half of survey respondents have a business loan, and half of those were not up to date with their repayments.

²⁷ Some TOP 3.8 million in Emergency Relief Funds grants to tourism businesses were reportedly disbursed in 2020 and 2021 in response to COVID-19. Additional relief payments were also offered following TC Harold (TOP 2 million) and the HT-HH event (TOP 380,000). Furthermore, the government announced TOP 2 million in Tonga Development Bank loans for the tourism sector in response to COVID-19 in 2020, and a further TOP 2 million in response to COVID-19 and the HT-HH event in 2022.

The intention of business owners to rebuild and recover as more resilient establishments is often out of reach due to lack of finance, insurance and/or technical knowhow. Some 80% of all ‘damaged business’ respondents in the TCI survey indicated they will consider more resilient design measures in their reconstruction/repairs. However, assuming an approximate 20% additional cost applies to reconstruct/repair with more resilient design and materials²⁸, this adds to the financial burden facing business owners. In addition, a few businesses indicated they are awaiting government regulations/approvals to rebuild. Access to guidance and affordable expertise on reconstructing with more resilient design and materials was also cited as a barrier to building back better.²⁹

Some tourism businesses that are physically able to reopen cannot do so, or at the same standard as before, due to financial and/or staffing constraints.

Restarting a tourism business requires funds for repairs and maintenance after a long hibernation, stock, wages, and in some cases the replacement of assets that were sold. Such costs are unaffordable for many after a period without income, and have led to delays in reopening. Businesses also need to re-engage employees, but a lack of staff was cited in the TCI survey as a constraint to reopening because workers have left the sector. Where businesses decide to open without the necessary investment to ensure quality facilities and service, their reputation among traveller markets can be put at risk.

Furthermore, some businesses are postponing reopening until there is more certainty about inbound demand returning at a high level, further delaying their recovery. With international direct flights yet to be restored to Vava’u, and pre-COVID-19 capacity yet to be fully restored, businesses do not have the certainty of demand to justify reopening. There is a reluctance among some businesses to take on the high costs of restarting operations until they see evidence of their target markets returning.



Vakaloa Beach Resort.

These implications for firms directly affect Tonga’s prospects for destination recovery, and failure to respond can undermine the country’s economic and tourism development intentions. Specifically:

- Government objectives for growing tourism investment and the SME sector are challenged as Tonga faces the prospect of losing multiple existing SME investors with a proven track record. Some investors have attributed their uncertainty about rebuilding to the extraordinary impacts of multiple external shocks and resulting access to finance barriers, rather than lack of business viability or owner commitment, and their situation warrants consideration in the context of Tonga’s overarching investment generation objectives.

²⁸ Based on the 20% ‘build back better’ supplement applied by the World Bank’s 2018 TC Gita Rapid Needs Assessment.

²⁹ TTAB has in-house capacity for Disaster Risk Reduction which is currently developing a simplified guideline for tourism businesses on Business Continuity Plans (BCPs).

- Stakeholder objectives for building back better with resilient infrastructure and services are challenged if tourism businesses do not have the financing, technical knowhow or resources to do so.
- Destination objectives to provide high-quality, high-value tourism products and services are challenged if businesses cannot afford to resume at the same quality as before. Tonga's reputation in terms of supply quality and value for money could be damaged (compared to competitor destinations) if business' financial constraints lead to reopening without the necessary investment or preparation.
- Industry objectives to recover and grow international visitor demand are challenged if there is an insufficient supply of operating, quality accommodation. So long as prospective visitors in target markets see many of the highest traveller-ranked properties closed or shut

down, hear about quality/value for money issues, and do not see reassuring messages that Tonga is safe, beautiful, and ready for visitors, then its appeal will be undermined. This will slow recovery and jeopardise Tonga's vision for tourism growth.

These new challenges facing Tonga's tourism sector must be considered within the context of the pre-existing barriers to tourism development.

Tonga struggled to remain competitive as a tourist destination prior to the crises, and the contributing factors to this issue are yet to be addressed. These include constraints related to product and experience supply, infrastructure, access, the business enabling environment, and marketing. The recent events have set Tonga further back in addressing these factors. If tourism is to remain a targeted sector for growth in Tonga, a renewed approach to policy and planning will be critical.



Little Italy Hotel and Restaurant.

3. IMPACT OF THE CRISES ON TONGA'S INTERNATIONAL VISITOR ECONOMY

3.1 Estimated loss of international tourism receipts during border closure

The loss of direct international tourism receipts in Tonga during the 28-month border closure is estimated at TOP 455.3 million (USD 183 million).

This macro assessment is based on inbound visitor spend assumptions, by purpose of visit, for tourism activities pre-COVID-19.³⁰ These include specific assumptions for spend on accommodation, food and beverage, local transport and tours and shopping, but exclude international airfares and remittances disbursed during trips³¹ (See Annex 2: Methodology). Monthly losses were determined across the border closure period by applying these assumptions to official monthly visitor arrival numbers in 2019 by

purpose visit, conservatively assuming this would have otherwise been replicated in subsequent years (see Table 5) (Note: due to a lack of data on domestic tourism spend, volumes and patterns, this estimate does not account for losses/gains made in domestic tourism spend).

Tourism's contribution to the economy in 2019, and hence the losses since, also extend to unmeasured indirect tourism receipts and government tax revenues. Indirect receipts generated through backward linkages (e.g., tourism businesses purchasing food from producers, items from stores, fuel and equipment) have also been lost during border closure. Furthermore, the fall in international tourism has meant the Government of Tonga has lost revenues from taxes paid by tourism operators (business taxes) and by tourists (Departure Tax and Consumption Tax).

TABLE 5. LOSS OF INTERNATIONAL TOURISM RECEIPTS DURING BORDER CLOSURES

ESTIMATED DIRECT INTERNATIONAL VISITOR SPEND		NOTE	LOSSES (COMPARED TO 2019)
2019	TOP 192.4 million (USD 77.3 million)	Baseline year: 12 months of international visitors with no disruptions	
2020	TOP 27.1 million (USD 10.9 million)	No international visitors April to December	TOP 165.4 million (USD 66.5 million)
2021	NIL	No international visitors all year	TOP 192.4 million (USD 77.3 million)
2022 (to Aug)	NIL	No international visitors until border reopened in August ³²	TOP 97.4 million (USD 39.1 million)
TOTAL			TOP 455.3 million (USD 183 million)

³⁰ Assumptions made in the absence of reliable recent tourism receipts/visitor spend data for Tonga.

³¹ Whereas one Reserve Bank measure of visitor receipts in Tonga included remittances, such payments from the VFR market are not included in this assessment as they are not typical tourism spend indicators. It is also noted that any loss of in-person remittances during border closures was reportedly replaced by remote remittances.

³² Visitors associated with the HT-HH recovery efforts not included.

3.2 Anticipated loss of international tourism receipts during a modest recovery

It is likely that international visitor numbers for Tonga will not return to 2019 levels for at least two years after the reopening of borders, accounting for ongoing losses in tourism receipts. According to the United Nations World Tourism Organization (UNWTO), recovery of 2019 visitor arrival volumes for the Asia Pacific region may not occur until 2024³³—a caution for Tonga in light of the challenges it faces. August and September 2022 air arrival figures to Tonga³⁴ indicate a slow start to recovery due to limited flight capacity and other demand constraints, including market uncertainty about Tonga's supply, concerns about the risk of another eruption and intensive competition from destinations in the Pacific and beyond.

While this assessment does not attempt to project recovery rates, it does model a recovery scenario for August 2022 to December 2023 that places ongoing losses in direct receipts at **TOP 91.5 million (USD 37 million)** for that period. As presented in Table 6, this is based on conservative recovery rates for holiday/leisure visitors and somewhat more optimistic recovery rates for other market segments. These rates are based on several evidence-based assumptions (see Annex 2). It is likely that net losses will continue into 2024 based on global forecasts but due to the evolving nature of crisis recovery, the outlook to the end of 2023 is the focus of this analysis. The indicative net losses could be lower with swift and significant investment in restoring supply of compelling accommodation and destination marketing. Conversely, they could be higher if there is not adequate investment in either.

TABLE 6. ANTICIPATED LOSS OF INTERNATIONAL TOURISM RECEIPTS POST-BORDER REOPENING

INTERNATIONAL VISITOR SPEND FOR SAMPLE RECOVERY SCENARIO		ASSUMPTIONS	NET LOSSES (COMPARED TO 2019)
2022 (Aug-Dec)	TOP 53.5 million (USD 21.5 million)	<ul style="list-style-type: none"> Leisure visitors resume in August at 5% of August 2019 figures, growing to 10% of monthly arrivals by December. VFR visitors resume in August at 80% of August 2019 figures, growing to 95% of monthly arrivals by December. Business and Other visitors resume in August at 20% of August 2019 figures, growing to 40% of monthly arrivals by December. Cruise arrivals in line with schedules. Yacht same as leisure recovery. 	TOP 41.5 million (USD 16.6 million)
2023	TOP 142.5 million (USD 57.3 million)	<ul style="list-style-type: none"> Leisure visitors grow from 15% of January 2019 volumes in January 2023, to 50% in December. VFR visitors continue at 95% of monthly 2019 rates. Business and Other visitors grow from 50% of January 2019 figures in January 2023, to 100% in June and thereafter. Cruise arrivals in line with schedules. Yacht same as leisure recovery. 	TOP 50.0 million (USD 20 million)
TOTAL			TOP 91.5 million (USD 37 million)

³³ Recovery forecasts by global and regional authorities in tourism are now rapidly changing with the resumption of travel, and will continue to do so. According to the latest UNWTO release (1 August, based on May 2022 data), global international arrivals are expected to reach 55% to 70% of pre-pandemic levels in 2022, although Asia and the Pacific is expected to lag behind other regions at 30% of 2019 levels (in the best-case scenario) due to more restrictive travel policies. At the same time, the UNWTO Panel of Experts suggests recovery for Asia and the Pacific may take until 2024 or beyond (26% of the Panel forecast recovery will happen in 2023, and 69% in 2024 or later).

³⁴ According to information sourced by MoT, August and September 2022 saw 3323 and 4156 air arrivals respectively. This includes returning residents plus visitors, as disaggregated data is not yet available. This represents 29% of 2019 volumes for August and 40% for September. It is reasonable to assume that up to half of these were returning residents.

4. RECOMMENDED CRISES RECOVERY PRIORITIES FOR TONGA'S TOURISM SECTOR

The five recommended priorities for recovering from the crises' impacts on Tonga's tourism industry, and enabling growth of the sector in line with the Kingdom's vision, are:

1. RESTORE the damaged but viable tourism operations that attract target visitors (e.g., resorts based around Tonga's natural and cultural attributes).

Several of the destroyed and yet-to-open damaged accommodation properties in Tonga were previously rated favourably with visitors, and arguably had a role in attracting visitors to the country. Their restoration will aid destination recovery. The market is likely to respond well to reputable establishments bouncing back with new and improved premises. Furthermore, for crises-impacted tourism investors with a track record of running successful and appealing properties and a willingness to rebuild, their re-engagement will be important to destination recovery. This is important as Tonga faces the loss of tourism investors who have decided not to rebuild, and confronts a challenging environment for attracting new investors.

2. REBUILD private and public tourism infrastructure with resilient practices and materials that address natural hazards and climate change.

As the incidence of natural hazards, severe weather events, and rising sea levels is expected to escalate, it is important that reconstruction design, methods and materials mitigate the risks of sudden or gradual impacts. Investing now in 'building back better' supports longer-term financial viability for businesses, reduces the future economic burden of public infrastructure works, and improves safety for residents and visitors.

3. RESUME all tourism business operations at a standard equal to, or better than, before the crises.

Despite the financial challenges currently facing Tonga's tourism businesses, it is critical that they maintain at least the same quality level as international tourism recovers. Otherwise, the destination's reputation will be damaged, leading to a deceleration of Tonga's recovery and jeopardisation of its growth objectives. Ideally, in the current highly competitive travel environment, Tonga's tourism businesses should aim to restart at a higher level of quality in products and services to maximise visitor satisfaction, strengthen destination branding, and grow market share.

4. REASSURE target markets that Tonga is safe, ready, and offering compelling experiences.

Recovering target markets requires frequent and consistent marketing and communications activities to convince prospective visitors that Tonga is safe and visitor-ready. It is also required to inform travellers of the products and services they can access, attract them with unique and appealing visitor experiences, and convert them with competitive travel propositions. This needs to be carefully managed so that any marketing is a true representation of Tonga's prevailing supply and experience landscape.

5. RESET tourism policy and planning to reflect current conditions and direct a resilient, sustainable and inclusive tourism future.

As global and local tourism conditions have changed since the 'Tonga Tourism Roadmap' was updated in 2018 and the 'Tonga Tourism Crisis Response Recovery Plan' was prepared in late 2021, it is important to reset Tonga's tourism policy and planning framework based on current and forecast supply and demand considerations. This paves the way for policies and plans that enable Tonga's existing (or updated) vision around a growing, inclusive, resilient and sustainable sector.

Progressing these priorities will require the following 10 proposed interventions:

- i) Tourism private sector commitment to, and investment in, rebuilding/restarting their businesses with resilient and quality measures.
- ii) Financial sector, government, and development partner support with suitable financing solutions for viable tourism businesses.
- iii) Government commitment to, and investment in, repairing public tourism assets and tourism-enabling infrastructure and services.
- iv) Government decisions on pending reconstruction approvals/requirements, with support to determine if alternative solutions if required.
- v) Government, development partner, and private sector guidance for tourism businesses on how to 'build back better' with (or adapt existing operations to) more resilient infrastructure and services. This should cover structural design requirements, technical expertise engagement, procurement, and access to finance.³⁵
- vi) Quality control measures and corresponding support to industry to maintain high-quality, high-value supply.
- vii) Exploring options for improving tourism businesses' access to suitable insurance products, and strengthening tourism businesses' understanding of insurance.
- viii) Updating Tonga's tourism development strategic framework as relevant to current conditions, ensuring a single long-term vision and strategy with complementary planning documents and tools.
- ix) Implementing a targeted marketing and communications strategy and campaign based on promoting a compelling destination brand, offering important visitor information, and providing a competitive offer with call to action (Note: leading with value- and experience-based propositions will be more economically sustainable than leading with discounts).
- x) Introducing government policies that support all of the above.



Emerald Hotel.

³⁵ This aligns with TTAB's current DRM focus.

ANNEX 1: ACKNOWLEDGEMENTS

The Tonga Tourism Crises Impacts Assessment was undertaken by the Pacific Private Sector Development Initiative (PSDI) in collaboration with the World Bank. PSDI is an Asian Development Bank technical assistance program undertaken in partnership with the Governments of Australia and New Zealand.

The World Bank collaborated on this assessment with financial support from the Global Facility for Disaster Reduction and Recovery (GFDRR).

The report was written by PSDI Consultant Jennifer Bartlett, with support from PSDI Tourism Expert Dr. Sara Currie, PSDI Tourism Analyst Alcinda Trawen, World Bank Disaster Risk Management Consultant ‘Ana ‘Ilaisaane (Saane) K M ‘Ake, and World Bank Senior Disaster Risk Management Specialist Jian Vun. PSDI Communications Officer Angelo Risso provided publication support, and Matt Lloyd from Arco Tech New Zealand provided support with survey design.

Report designed by Be Visual Co (Australia).

The authors wish to acknowledge the following agencies/organisations and individuals, whose support and inputs were critical to the assessment:

- **Tonga Ministry of Tourism:** Honourable Minister Fekitamoeloa 'Utoikamanu, Director Magdalena Tafa Fifita, and Officers Melesungu Pule, Anthony Cocker and Apimasiva Kivalu.
- **Tonga Tourism Authority:** General Manager Viliami Takau, Marketing & Promotions Manager Tesia Tupou and Planning, Development and Investment Manager Simata Palu.
- **Tonga Tourist Association:** President Siosaia Moehau, and Vice President Peseti Ma'afu.
- **Tonga's tourism businesses:** The 76 business owners and managers who completed the survey.

ANNEX 2: METHODOLOGY

This annex details the methodology for:

- i) Conducting the Tourism Crises Impacts (TCI) survey.
- ii) Determining the 'costs of damages' to the tourism private sector for TC Harold and the HT-HH event.
- iii) Determining the loss of international tourism receipts during border closure.
- iv) Determining ongoing losses of international tourism receipts during a modest post-reopening recovery.

i) Conducting the Tourism Crises Impacts (TCI) Survey

The survey was launched on Thursday 9 June 2022 via email from MoT to the 360 tourism businesses on its database. The email explained the purpose of the survey, provided two options for self-completion (a hard-copy attachment and a link to an online version), and introduced the PSDI/World Bank team who would provide assistance and oversee the confidential collection and analysis of surveys.

The survey was subsequently promoted to the industry during MoT's tourism industry workshops in June and July 2022. The Tonga Tourist Association also promoted the survey to members to maximise responses. The original deadline of 15 July was extended twice at the request of some businesses to provide additional time to source financial data. The final deadline was 3 August.

There were 76 surveys completed; 62 via the online survey platform and 14 submitted via email or hard copy. This represents an overall response rate of 21%, with the breakdown by category shown in Table 7.

TABLE 7. TCI SURVEY RESPONSES

TOURISM BUSINESS CATEGORY	# TCI SURVEYS ISSUED	# TCI SURVEYS COMPLETED	% RESPONSE RATE
Accommodation	164	43	26%
Restaurant	115	15	13%
Marine activities	53	9	17%
Ground Tour Operator	12	2	17%
Travel Agency	15	7	47%
TOTAL	359	76	21%

Upon survey closure, the lead consultant reviewed all data to check for incomplete answers, duplicated responses, and apparent errors. This led to data cleaning, which included removing duplicated costs of damages, reallocating businesses to the correct category, and checking values that did not make sense.

ii) Determining the 'costs of damages' to the tourism private sector for TC Harold and the HT-HH event.

The total 'cost of damages' for each event comprises:

- A) A sum of actual costs of damages reported by TCI survey respondents³⁶ (by business category, per event) across four aspects of 'damages', including: clearing the site; reconstructing/repairing destroyed/damaged structures; replacing contents such as stock and furnishings; and replacing/repairing affected assets such as vehicles or boats.³⁷
- B) Proxy values for the accommodation and restaurant businesses that were assessed by MoT for each event as 'completely destroyed' (CD), 'severely damaged' (SD) or having 'minor damage' (MD), but for which surveys were not completed (see below for approach to determining proxy values).

Proxy values were determined as follows:

- **For accommodation:** Calculating an average 'cost of damage' value on a per room basis³⁸ for each event and CD/SD/MD damage level, based on reported costs in the TCI survey (total sample size with reported costs³⁹ is 30 for TC Harold and 36 for the HT-HH event).⁴⁰ The resulting average cost of damages per room, per damage level, per event is detailed in Table 8. Then, for each of the accommodation properties classified by MoT as 'CD', 'SD' or 'MD' but for which surveys were not completed (i.e., eight for TC Harold and 11 for the HT-HH event), the relevant average per room cost was multiplied by the number of rooms. This produced a tailored proxy value for each of the 19 outstanding damaged properties.
- **For restaurants:** Calculating an average 'cost of damage' value for restaurants for each event and CD/SD/MD damage level, based on reported costs in the TCI survey (total sample size with reported costs is 11 for TC Harold and 18 for the HT-HH event). The resulting average cost of damages per venue, per damage level, per event is detailed in Table 8. Then, for the six restaurants that were classified by MoT as 'CD', 'SD' or 'MD' for the HT-HH event but for which surveys were not completed, the average cost per venue was applied as proxy value. As no restaurants were assessed by MoT as damaged following TC Harold, a proxy is not required.
- **Other tourism business categories:** There were no outstanding marine activity operators, ground tour operators or travel agencies assessed by MoT as damaged, so proxy values are not required. Only self-reported actual costs for these 'other' business categories are included in the total.

36 Excludes financial losses which are covered in a separate section. An option for 'other costs' was also provided in the survey, anticipating additional costs such as fuel for generators when power was down; however, this question appeared to be misunderstood by many respondents, with clean-up costs, economic losses, and unknown values cited. The value of apparently legitimate 'other' costs was minimal, so not included in this analysis.

37 In a few instances, self-reported classification of damages differed from MoT classification. This was checked with MoT, online sources, and local insights to verify the correct classification.

38 Per room costs used as an indicator of accommodation business size in the absence of sufficient data on size of building footprint (the survey asked for square meterage of premises; however, few businesses provided usable responses, so number of rooms is used as size indicator instead). For accommodation with restaurants, an additional room was added to calculations. As it is assumed all providers have reception and back of house areas, this was not factored into averages.

39 Intentions to add a third variable for proxies by accommodation type or standard were disregarded as (i) only some accommodation has a MoT star rating and (ii) there were no notable differences in reported costs that could be reliably associated with different accommodation types.

40 One outlier property was excluded from the 'SD' sample group for TC Harold as the costs were exceptionally high due to the large scale of the property, and its inclusion would have overestimated average costs for the 'SD' group.

TABLE 8. AVERAGE ‘COSTS OF DAMAGES’ FROM SURVEY SAMPLE GROUPS USED FOR PROXY VALUES

TOURISM BUSINESS CATEGORY	CD	SD	MD
For TC Harold: Accommodation (on a per room basis, TOP)	101,012	14,476	1,597
For HT-HH event: Accommodation (on a per room basis, TOP)	244,713	21,874	6,390
For HT-HH event: Restaurants (per business, TOP)	N/A ⁴¹	481,000	6,444

There were undoubtedly more undisclosed costs of damages faced by tourism businesses (i.e., those that did not complete the survey). For example, more businesses may have faced costs associated with cleaning up or minor repairs resulting from either event, or using fuel for generators when power was down, or paying for communications. However, it is not possible to estimate these costs.

It is acknowledged that self-reported, unverified costs may result in over/underestimating values, as may proxy figures from sample groups of destroyed/damaged survey respondents; however, the adopted approach provides a reasonable benchmark in the absence of independent cost estimates by building and contents experts.

iii) Determining the loss of international tourism receipts during border closure

The following three steps were undertaken to determine the loss of direct international tourism receipts during border closure:

1. Make assumptions about average length of stay and spend, by visitor type, pre-crisis (Table 9).⁴²
2. Estimate total visitor spend (direct receipts) by month in 2019 as a baseline year.
3. Calculate the loss of direct receipts during border closure (April 2020⁴³ until July 2022 inclusive), assuming spend would have been at least the same as in 2019 if the crises had not occurred.

TABLE 9. VISITOR LENGTH OF STAY AND SPEND ASSUMPTIONS FOR TONGA PRE-CRISES

VISITOR SPEND ASSUMPTIONS	Est. ALOS (# days)	Est. average spend per person per day in TOP by category				Per person spend (TOP)	
		Accom	Food	Transport/tours	Shopping	Per Day	Per Visit
Holiday	7	90	100	80	50	320	2,240
VFR	14	45	100	50	100	295	4,130
Business	5	180	100	50	40	370	1,850
Other/Not stated	5	90	100	50	40	280	1,400
Yacht	22					50	1,100
Cruise	1					100	100

For Step 1, assumptions (shown in yellow shaded cells in Table 9) were developed in collaboration with TTAB. These were based on a combination of past (2011 and 2014) Tonga visitor data, anecdotal evidence in Tonga pre-crisis, and (as a comparison check) 2019 visitor length of stay and spend insights from Samoa, Fiji and Vanuatu.

⁴¹ The cost of damages for the three ‘completely destroyed’ restaurants varies significantly in line with the size of the venues, so an average figure is not reliable. As a proxy is not required for restaurants, it is not included.

⁴² The Reserve Bank’s tourism receipts figure includes remittances, which skews visitor spend averages, while other cited visitor spend estimates (e.g., SPTO) are exceptionally low on a per arrival basis, so it was necessary to make assumptions.

⁴³ Borders officially closed on 23 March 2020, but values are determined from April as the first full month.

Notes on assumptions for Step 1:

- For average length of stay (ALOS), leisure tourists were assumed to stay for seven nights on average. This was the ALOS for visitors in the last (2011) international visitors survey, and makes sense for 2019 compared to other destinations. A slightly shorter five-night ALOS was assumed for 'business' and 'other'⁴⁴ travellers based on observations, while a longer (14-night) stay was assumed for VFR travelers. For yacht visitors, an ALOS of 22 nights was determined by TTAB in a 2019 yacht tourism review.
- For holiday/leisure visitor daily spend, it is assumed that an average TOP 180 accommodation room rate is shared by an average of two guests (i.e., 90 per person per day). Spend on other items is similar to other types of travellers, but with higher overall spend on transport and tours.
- For VFR/leisure visitor daily spend, it is assumed that half of VFR visitors stay with family/friends, and half at commercial accommodation as per holiday travellers. This results in an average daily accommodation spend which is half of holiday travellers. Spend on other items is similar to other types of travellers, but with higher spend on shopping, as many items are bought for local families.
- For business visitor daily spend, it is assumed that an average TOP 180 accommodation room rate is spent by one person. Spend on other items is similar to other types of travellers, but lower on tours and shopping.
- For other/not stated visitor daily spend, the same assumptions apply as for business travellers, except with accommodation. To mitigate the risk of overestimating accommodation spend, a median accommodation spend assumption is applied.
- For yacht visitors (for whom accommodation does not apply), the assumed per person per day spend is based on a 2018 Fiji yachting market study.⁴⁵
- For cruise visitors (for whom accommodation does not apply), the assumed per person per day spend is based on a 2014 Tonga cruise market study.

For Step 2, the per person per visit (PPPV) value was multiplied by 2019 monthly arrival figures to determine direct receipts for that year, which was estimated at TOP 192.4 million (see Table 10). This represents the pre-COVID-19 baseline year.

TABLE 10. TONGA VISITOR SPEND BY TYPE, 2019

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	ANNUAL
Holiday	4,759,534	\$3,167,580	\$3,711,897	\$5,059,757	\$4,987,463	\$6,253,498	\$7,221,843	\$9,773,501	\$8,147,046	\$5,365,194	\$3,119,236	\$3,427,449	\$64,993,996
VFR	7,366,995	\$3,356,451	\$3,081,641	\$5,113,634	\$7,680,809	\$10,733,775	\$12,979,876	\$6,484,554	\$8,101,276	\$8,375,603	\$8,993,728	\$20,863,409	\$103,131,750
Business	194,117	\$375,874	\$517,649	\$657,777	\$898,367	\$1,045,241	\$510,811	\$525,474	\$693,019	\$428,477	\$475,036	\$256,044	\$6,577,884
Other	416,214	\$333,749	\$565,838	\$445,071	\$3,348	\$679,323	\$784,489	\$1,093,554	\$781,903	\$798,769	\$718,973	\$312,173	\$6,933,404
Not stated	85,691	\$56,889	\$30,468	\$17,569	\$245,902	\$288,480	\$1,284,742	\$1,248,198	\$390,951	\$593,145	\$836,497	\$1,044,166	\$6,122,698
SPEND AIR VISITORS	12,822,551	\$7,290,542	\$7,907,493	\$11,293,807	\$13,815,888	\$19,000,317	\$22,781,760	\$19,125,281	\$18,114,195	\$15,561,187	\$14,143,469	\$25,903,241	\$187,759,732
Yacht	3,300	\$-	\$7,700	\$14,300	\$140,800	\$537,900	\$213,400	\$316,800	\$420,200	\$470,800	\$79,200	\$18,700	\$2,223,100
Cruise	31,300	\$344,800	\$557,000	\$350,800	\$150,600	\$179,800	\$-	\$-	\$63,600	\$217,800	\$271,200	\$299,800	\$2,466,700
SPEND ALL VISITORS	12,857,151	\$7,635,342	\$8,472,193	\$11,658,907	\$14,107,288	\$19,718,017	\$22,995,160	\$19,442,081	\$18,597,995	\$16,249,787	\$14,493,869	\$26,221,741	\$192,449,532

44 'Other' and 'not stated' is a small but undefined mix. As many are travelling for official purposes, the same ALOS as business is applied (five nights).

45 Fiji Market Development Facility (2018). *Economic Impact of International Yachting in Fiji*.

For Step 3, the total loss of receipts from the first full month of border closure (April 2020) until end July 2022 (TOP 455.2 million) was based on the 2019 baseline (for equivalent months), and was produced by adding:

- A) Forfeited receipts, April to December 2020 (TOP 165.3 million);
- B) Forfeited receipts, January to December 2021 (TOP 192.4 million); and
- C) Forfeited receipts, January to July 2022 (TOP 97.4 million).

This is a conservative estimate as it is likely visitor numbers and spend would have increased each year after 2019 had the crises not occurred. For simplicity, a no-growth scenario is applied.

iv) Determining anticipated ongoing losses of international tourism receipts during a modest post-reopening recovery

It is impossible to forecast recovery rates in an ever-changing environment subject to a prevailing pandemic, global economic uncertainty, and competition among the world's destinations for a share of the resuming traveller market. However, it is useful to form assumptions about what recovery might look like, and what that would mean for regaining – versus continuing to forfeit – international tourism receipts. The following two steps were undertaken to determine the value of losses to the end of 2023:

1. Make assumptions about a recovery scenario for Tonga visitor arrivals (by type) from August 2022 to December 2023, based on early evidence of tourism demand and global and regional recovery trends.
2. Calculate the partial recovery of receipts (and the corresponding losses) for this period (by month) compared to 2019 levels, based on assumed monthly visitor arrival resumption figures.

For Step 1, assumptions (yellow shaded cells in Table 11) were developed in collaboration with TTAB.

TABLE 11. SCENARIO FOR RECOVERY OF 2019 VISITOR ARRIVAL VOLUMES (AUGUST 2022 TO DECEMBER 2023)

2022 (Q3&4)	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Holiday	border closed	5%	5%	10%	10%	10%
VFR	border closed	80%	85%	90%	95%	95%
Business	border closed	20%	25%	30%	35%	40%
Other	border closed	20%	25%	30%	35%	40%
Not stated	border closed	20%	25%	30%	35%	40%
Yacht	border closed	5%	5%	10%	10%	10%
Cruise	border closed	0%	0%	100%	80%	0%

2023 (Q1&2)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Holiday	15%	20%	30%	30%	30%	35%
VFR	95%	95%	95%	95%	95%	95%
Business	50%	60%	70%	80%	90%	100%
Other	50%	60%	70%	80%	90%	100%
Not stated	50%	60%	70%	80%	90%	100%
Yacht	15%	20%	30%	30%	30%	35%
Cruise	100%	25%	10%	50%	0%	100%

2023 (Q3&4)	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Holiday	40%	40%	40%	45%	50%	50%
VFR	95%	95%	95%	95%	95%	95%
Business	100%	100%	100%	100%	100%	100%
Other	100%	100%	100%	100%	100%	100%
Not stated	100%	100%	100%	100%	100%	100%
Yacht	40%	40%	40%	45%	50%	50%
Cruise	100%	100%	100%	100%	100%	100%

Notes on assumptions for Step 1:

- Assumptions are based on:
 1. August and September 2022 air arrival figures as a starting point (i.e., 3323 and 4156 people respectively for all air arrivals, including returning residents, which make up approximately 45% of total arrivals).
 2. Low flight capacity in August and September 2022, but returning to pre-COVID-19 levels in October (as advised by MoT & TTA).
 3. No internal or external shocks.
 4. Segment-specific assumptions (below).

Segment-specific assumptions:

- *Holiday/Leisure*: It is assumed this segment represented approximately 5% of August and September 2022 air arrivals, which equates to an approximate 5% recovery of 2019 monthly figures. It is assumed this will be followed by a conservative recovery due to (i) global forecasts, (ii) loss of several tourist resorts yet to be rebuilt, (iii) market uncertainty about Tonga's readiness for tourism following the disasters, (iv) market concerns about the risk of another eruption, (v) intensive competition from destinations, and (vi) consideration of recovery rates in competitor destinations. Demand recovery may be supported in March 2023 with the return of Vava'u flights, and in July to October 2023 with pent-up demand for whale watching.
- *VFR*: It is assumed this segment represented approximately 40% of August and September 2022 air arrivals, which equates to an approximate 80-85% recovery of 2019 monthly figures. It is assumed this will be followed by a peak of 95% in November 2022 before growth slows. This is an optimistic scenario that also anticipates the Tongan outbound VFR market will rebound after the lockdown period, which may impact inbound VFR.
- *Business/Other/Not stated*: It is assumed this segment represented approximately 10% of August and September 2022 air arrivals, which equates to an approximate 20-25% recovery of 2019 monthly figures. It is assumed this will slowly recover to pre-COVID-19 normal by mid-2023. This is skewed somewhat by the high number of 'not stated' arrivals.
- *Cruise*: Cruise ships resumed in October 2022, with busy schedules for 2022/23, although some are operating in different months to 2019. If all proceed at full capacity, numbers may be more than 2019. Recovery rate assumptions reflect current schedules, incorporating ship size but assigning ships to a 2019 month equivalent to enable the calculation of overall (annual) recovery rates (month cells therefore not exactly as per schedule).
- *Yacht*: Assumed to be the same as leisure recovery rates.

For Step 2, the partial recovery of receipts by month was calculated based on the assumed monthly visitor arrival resumption figures for August 2022 to December 2023, multiplied by pre-COVID-19 per person visitor spend assumptions. Deducting these values from the 2019 international receipts baseline for relevant months produced a total for forfeited receipts for August 2022 to December 2023 of TOP 91.5 million. This figure was established by adding:

- A) Forfeited receipts (net losses), August to December 2022 (TOP 41.5 million); and
- B) Forfeited receipts (net losses), January to December 2023 (TOP 50 million).

This is a conservative estimate as it is likely that leisure visitor numbers, and spend, will not recover in full until 2024.

ANNEX 3: SURVEY SAMPLE



Tourism Crisis Impact Assessment Survey for Tonga's Accommodation Providers, 2022

Malo e lelei.

This survey is being conducted by ADB's Private Sector Development Initiative (PSDI) and the World Bank (WB). It is being undertaken in response to a request from the Tonga Ministry of Tourism to help assess the impact of (i) COVID-related border closures and (ii) the January volcanic eruption and tsunami (referred to hereon as the 'HT-HH event'), on Tonga's tourism sector.

To enable us to assess these impacts, we are asking tourism businesses to **please complete this survey by 15th July, 2022**. Please answer every question so we have the data needed to provide a reliable assessment. All financial information will be consolidated and confidentially analyzed by PSDI and WB representatives and cannot be viewed by anyone else.

Completion options:

1. Complete this word document and return by email to Saane 'Ake at [REDACTED]
2. Complete this hard copy and return to Saane 'Ake at the World Bank office - Level 3, Reserve Bank Building, Salote Rd, Nuku'aolofa..
3. Complete the survey online via this secure survey link: [REDACTED]

If you have any questions, please direct them to Saane at the above email or PSDI/WB tourism consultant Jennifer Bartlett at [REDACTED]

THANK YOU.

Section 1: General Business Information

1.1. Date:	
1.2. Business Name:	
1.3. Your Name/s:	
1.4. Business Location:	
1.5. Number of accommodation rooms:	
1.6. Does the property have an onsite restaurant?	Yes/No
1.7. Footprint of buildings/facilities (sq. meters)	

Section 2: HT-HH Event Damages

2.1. Please select from a), b), c) or d) below regarding damages sustained by your business as a result of the HT-HH event.
<p>a) All buildings and/or assets on the site were destroyed.</p> <p>b) Buildings and/or assets sustained significant damages.</p> <p>c) Buildings and/or assets sustained minor damages.</p> <p>d) Buildings and/or assets sustained no damage or impacts.</p>

2.2. If a), b), or c) selected above, do you intend to repair/build the business and resume operations at the same site? (Please indicate yes or no).			Yes/No
If no, why not?			
2.3. Please indicate costs faced by your businesses for the following. (Use estimates if necessary):	A Cost already incurred (TOP)	B Cost yet to be incurred (TOP)	A+B TOTAL COST (TOP)
2.3.1 Cleaning up/clearing the site from debris, ash, etc. (labor/equipment).			
2.3.2 Damages to buildings/structures, (i.e. what is the cost to repair/replace these to previous conditions?)			
2.3.3 Damages/losses to contents, e.g. stock, furnishing, fittings, equipment (FFE), (i.e. what is the cost to repair/replace?)			
2.3.4 Damages/losses to other business assets e.g., vehicles or boats (i.e., what is the cost to repair/replace?)			
2.3.5 Other impacts that incurred a cost? Please describe:			
<u>TOTAL DAMAGES</u>			
Any additional information to help us understand your situation?			

2.4. Do/will your reconstruction and repairs include any of the following measures to ensure more physically resilient buildings/structure?		Yes/No
If yes, please select all that apply. a) Relocate building/s to a new site (e.g., away from hazard zones). b) Relocate building/s to different/safer locations on existing site. c) Redesign/reconstruct existing buildings on existing site. d) Other: (Please describe) _____		

2.5. Will you consider design/construction with more resilient design measures?		Yes/No
If yes, please indicate examples, e.g., engage technical expertise, use of resilient materials, raise floor level, other?		

Section 3: Insurance

3.1. Was this business insured? (If no, go to Section 4).	Yes/No
3.2. Have you received any insurance payout yet?	Yes/No
3.3. Are you still awaiting an insurance payout?	Yes/No
3.4. What is the value of insurance you expect to receive in total? (TOP)	

Section 4: TC Harold (2020) Considerations

4.1. Please select from a), b), c) or d) below regarding impacts from TC Harold in 2020.	
a) All buildings and/or assets on the site were destroyed by TC Harold. b) Buildings and/or assets sustained significant damages by TC Harold. c) Buildings and/or assets sustained minor damages by TC Harold. d) Buildings and/or assets sustained no damage or impacts from TC Harold.	
4.2. Please select from a), b), c) or d) below to indicate status TC Harold recovery at the time of the HT-HH event.	
a) All cyclone-damaged buildings and assets on site had been replaced/repared at the time of the HT-HH event. b) Replacement/repairs from TC Harold were underway at the time of the HT-HH event. c) Replacement/repairs from TC Harold were yet to commence at that time. d) Not applicable. No damages sustained in TC Harold (as per d above).	
4.3. If you answered a), b), or c) above, what costs did your businesses face following TC Harold? (In TOP. Use estimates if necessary. Empty fields = 0)	
4.3.1 Cleaning up/clearing the site from debris, ash, etc. (labor/equipment).	
4.3.2 Damages to buildings/structures, (i.e., what was the cost to repair or replace these to previous conditions?)	
4.3.3 Damages/losses to contents, e.g., stock, furnishing, fittings, equipment (FFE), (i.e. what was the cost to repair/replace?)	
4.3.4 Damages/losses to other business assets e.g., vehicles or boats (i.e., what was the cost to repair/replace?)	
4.3.5 Other impacts that incurred a cost? Please describe:	

Section 5: COVID-related Border Closure Considerations

5.1. Please select from a), b), or c) below regarding accommodation operations during COVID-related border closures.
<p>a) Our accommodation business remained in operation throughout the 2020/2021 border closure.</p> <p>b) Our accommodation business closed or 'hibernated' for <i>some periods during 2020/2021 border closure</i>.</p> <p>c) Our accommodation business closed or 'hibernated' <i>during the entire 2020/2021 border closure</i>.</p>
Any additional information to help us understand your situation?

5.2. Please select from a), b), c) or d) below regarding your accommodation's on-site restaurant operations during COVID-related border closures.
<p>a) Our on-site restaurant business remained in operation throughout the 2020/2021 border closure.</p> <p>b) Our on-site restaurant business closed or 'hibernated' for <i>some periods during 2020/2021 border closure</i>.</p> <p>c) Our on-site restaurant business closed or 'hibernated' <i>during the entire 2020/2021 border closure period</i>.</p> <p>d) We do not have an onsite restaurant.</p>
Any additional information to help us understand your situation?

5.3. Have you had to sell any of your accommodation business' assets during COVID-19 border closures for financial security?	Yes/No
If yes, what is the value of assets sold?	
Please describe what you had to sell	

5.4. Did you diversify or pivot to start another type of business / income generation stream during border closures?	Yes/No
Please describe what you did to pivot:	

Section 6: Current operating status

6.1. Is your accommodation currently operating?	Yes/No
If 'yes', when did you resume operations after the HT-HH event? (Month) If 'no', when do you expect to resume operations? (Month)	
Any additional information to help us understand your situation?	

6.2 Is your onsite restaurant business currently operating?	Yes/No or N/A
If 'yes', when did you resume operations after the HT-HH event? (Month) If 'no', when do you expect to resume operations? (Month)	
Any additional information to help us understand your situation?	

Section 7: Determining Economic Losses of combined crises

Note: Estimating economic losses from the protracted border closures since March 2020 and the HT-HH event requires an analysis of pre and post crisis revenue indicators from Tonga's tourism businesses. The following table is designed to collect such data which will be combined for economy wide analysis. The data will be kept in confidence by authorized PSDI & World Bank analysts, and financial figures will be separated from company identifier.

7.1. Please indicate your business' quarterly <i>revenue</i> figures for 2019, 2020, 2021 and Q1 2022 in the tables below. Note:
<ul style="list-style-type: none"> • 2019 figures enable us to determine a 'business as usual' baseline for total industry revenues and tourist spend, compared to losses thereafter. • Please use gross turnover figures (i.e. revenue from accommodation/restaurant activities, <u>not net profit</u> figures). • Please assign figures by calendar year quarter, i.e., Q1 = January to March, Q2 = April to June, Q3 = July to September, Q4 = October to December. • Please approximate for each quarter how much of revenue share (%) was from domestic visitors (as opposed to international visitors). • If you do not have exact records of this data, estimates (or 'guesstimates') will suffice.

<u>2019 Calendar Year</u>	Q1 Jan-Mar	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	TOTAL
Approx. gross turnover (TOP)					
Approx. % share of turnover from the <u>domestic</u> market.	%	%	%	%	

<u>2020 Calendar Year</u>	Q1 Jan-Mar	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	TOTAL
Approx. gross turnover (TOP)					
Approx. % share of turnover from the <u>domestic</u> market.	%	%	%	%	
<u>2021 Calendar Year</u>	Q1 Jan-Mar	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	TOTAL
Approx. gross turnover (TOP)					
Approx. % share of turnover from the <u>domestic</u> market.	%	%	%	%	
<u>2022 Calendar Year</u>	Q1 Jan-Mar	Q2 Apr-Jun			
Approx. gross turnover (TOP)					
Approx. % share of turnover from the <u>domestic</u> market.	%	%			

Please provided estimated/provisional for Q2.

Section 8: Determining Employment Impacts of combined crises

How many workers did this business employ (on average) for each of the studied years?

	Full time	Part time/ Seasonal	TOTAL	% women
2019 Calendar Year				
2020 Calendar Year				
2021 Calendar Year				
2022 Calendar Year (to date)				

Section 9: Impacts on Servicing Debt

9.1 Do you currently have debt for this business, e.g., a bank loan?	Yes/No
9.2 If yes to 9.1, are you up to date with loan repayments?	Yes/No
9.3 If no to 9.2	
a) Has your lender been helpful in discussing ways to reduce the burden of your loan repayments?	Yes/No
b) Have you come to a new agreement with your lender in terms of your loan repayments?	Yes/No

Section 10: Recovery and Resilience

10.1. Do you expect your business to be ready to operate when borders reopen to international visitors in July?
If no, why not? When do you expect to reopen?
10.2. What constraints have you faced in trying to recover your business for the international tourism market.
Please describe:
10.3. What constraints have you face specifically relating to accessing expert advice or materials to have a more resilient business?
Please list and describe:

THANK YOU FOR COMPLETING THE SURVEY

If you have any questions, please direct them to Saane 'Ake at [REDACTED] or PSDI/WB tourism consultant Jennifer Bartlett at [REDACTED]

