



# DEEP BLUE DIVING

Tonga



**Investment  
Case Study**

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# DEEP BLUE DIVING



## Country



## Sector



## Type



## Background

Deep Blue Diving is a family business that operates as a sole trader and has been in business since 2004. Sam Tatafu is the Owner/Investor of Deep Blue Diving and his wife and children take care of the marketing and operations side of the business. This is the family's first investment in Tonga and comprises two dive shops and five boats. Sam was motivated to invest in tourism in Tonga because he saw potential in whale watching and marine sports. Growing up in Tonga and being passionate about the sea were additional motives for the Deep Blue investment. It also helped that Sam had gained a considerable amount of specialised marine training by being a Lieutenant Commander in the Tongan Navy. The business venture began when Sam built a couple of small boats. He took his family out to sea fishing and for picnics, before deciding to take tourists out on marine excursions. Today, the business offers a range of marine activities such as whale watching, diving, snorkelling and boat tours.

Sam states that since 2014, "*business has doubled*", citing an increasing global awareness that Tonga is a sought after whale-watch destination. New Zealand and Australia have been Deep Blue Diving's major tourism markets with recent interest from Europe, the United States, Mexico, Singapore, China and Japan. Any surplus revenue has been reinvested to improve the business by upgrading equipment, training staff and expanding operations (e.g. more boats and a second dive shop). To date, the investment is worth more than TOP\$1 million. The family have another two investments in Tonga that consist of two accommodation properties (in Eua and Mahakaha Island) and a boat building business. Boat building is a hobby where Sam builds four 26-foot boats a year on average, for local fishermen in Tonga.

## The Investment

In alignment with expatriate views who are the main investors in the whale-watching sector, Sam (a local Tongan investor) envisaged investment into Tonga's tourism industry via recreational marine activities as a business opportunity that not many locals were involved in. The investment process for Deep Blue Diving started in 2004. Sam describes his investment experience in Tonga as being "*slow at times*" and explained how there was a lack of information about how to set up a business, absent government incentives and that "*government policies were not clear*". In Sam's opinion, during the 80's and 90's the tourism sector was "*well managed*" but prevalent political disruption caused ambiguous and inconsistent tourism-related policies and regulations. On



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the other hand, one of the key factors that facilitated the Deep Blue Diving investment was Sam's local knowledge and networks. For instance, having an understanding of Tonga's ocean and weather patterns was useful for the whale watch operation. Obtaining advice from people in the industry and local government also facilitated the investment. Increased tourism traffic (in 2012), improved infrastructure in Tonga and the use of social media further benefitted the investment as this resulted in increased business for Deep Blue Diving.

## Benefits of Investment

Employment and the transfer of knowledge and skills are key benefits for Tonga of Sam's investment. Deep Blue Diving currently employs fifteen staff altogether. Twelve employees are local Tongans and three are volunteers from overseas who have experience in a whale watch-related field, such as marine biologists and marine tour guides. Four employees are women who work as Head of Marketing, Whale Watch Tour Guide, Office Administrator and Sales Representative. Tongan employees hold all levels of employment and in-house training is carried out across all aspects of the Deep Blue Diving operation for all staff. Sam is dedicated to the conservation and preservation of marine resources in Tonga and spends much of his time educating his team and customers about this.

## Barriers and Disincentives to Investment

The main challenges for investing in the tourism industry in Tonga are market uncertainty, changing and unclear policies and regulations, and climate change issues. There are strict regulations for whale watch operations in Tonga. A national requirement of the Ministry of Labour, Trade and Tourism is that operators are licensed to ensure tourist safety whilst respecting marine life and the environment. Whale watch operators must not get too close to sighted whales and should maintain a safe distance at all times, while a select number of specially licensed operators are allowed to enter the 'caution zone'. A popular tourist activity offered by a limited number of operators is swimming with whales that is permitted under special conditions. Permits must also be obtained for specialist interactions that scientific researchers and filmmakers/photographers request with whales. Sam follows strict whale watch regulations and has a desire to improve the whale watch industry to make it more sustainable. However, he believes there are a few operators that do not follow

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the best practices and he is concerned about the impacts of their activities on the whale watch industry. Sam believes that whale swimming operator licences need to be limited in Tonga because too many licences results in too many boats in the water that subsequently chase and scare whales away. This happened in Norway and Sam would like to prevent it happening in Tonga. Sam also believes that the Tonga Tourism Association should have more input into licencing before any further licences are issued. In addition, the global rising sea level and associated climate change impacts are a huge concern to Sam's whale watch operation, as he realises that any environmental changes will affect his business. Sam has expended much time and effort campaigning to try to raise awareness about climate change effects to the ocean such as the destruction of coral reefs. He believes that active campaigns are a step towards a more sustainable whale watch industry. A recent educational trip to Kaikoura, New Zealand where whale watching is a domain tourism product, also helped Sam better understand his whale watch operation. In Kaikoura, licencing is restricted to the indigenous Maori community. This has enabled the local people to develop a world class operation that provides economic benefits to the local community and it can be passed on to future generations. Sam thinks this is a successful model that Tonga can follow.

### Looking Forward

Although Sam feels that business performance could be improved, he claims that Deep Blue Diving has achieved its business objectives and feels optimistic about the future of his investment. He believes the tourism industry in Tonga will contin-

ue to grow and this is supported by government commitments to improve air connections and infrastructure in Tonga. However, there is still uncertainty regarding government policies. Sam feels that the General Guidelines for whale watching should be improved, which is something he would like to refine through future engagement with marine biologists and other experts. He is also looking forward to participating in the 2017 Whale Watch Conference to contribute towards developing sustainable solutions for the whale watch/tourism industry. Along with tourism growth, Sam views the increasing interest in eco-tourism and the conservation of marine environments to be a key future opportunity for Deep Blue Diving. He believes more scientific research about the behaviour of humpback whales, dolphins and other marine species is needed for Tonga to maintain its competitive position in the tourism industry. More transparency surrounding policy changes is also required. Over the next five years, he plans to continue upgrading his existing operation to feature better facilities and to improve the tourist experience by incorporating more marine activities into his tours. He would also like to reach other markets such as Asia and the United States. In addition, Sam would like to expand his other investments in Tonga, i.e. accommodation and boat building business. Lastly, Sam would recommend investing in tourism in Tonga, as he believes Tonga has a hard working labour force.



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