



# TANOA HOTEL

Tonga



**Investment  
Case Study**

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# TANOVA HOTEL - TONGA



## Country



## Sector



## Type



## Background of the Investment

Tanoa is a fully owned subsidiary of Reddy Group. The Reddy Group, with head offices in Auckland and Fiji, is a diverse company with business interests in real estate, construction and industrial equipment, education, insurance and private equity. In Fiji, the Reddy Group opened its first Tanoa hotel in 1965. Today there are ten hotels in the South Pacific. The Group's primary markets are New Zealand, Australia and the Pacific. The Tongan Tanoa Dateline hotel had a soft opening in November 2016, after two years on renovations and it held its official grand opening in February 2017. With 124 rooms and a four and half-star rating, the hotel sits in a picturesque Nuku'alofa waterfront. The hotel employs 90 staff, 75 are Tongan and 80 percent are women. The owners spent a significant sum of money in the redevelopment.

## Background of the Investors

The investment group interviewed consisted of Peter Kerr (the General Manager of Tonga at the time), Rohit Reddy (the Managing Director of the Reddy Group and Tanoa hotels) and YP Reddy (the Chair and Founder of Reddy Group). Mr YP Reddy, from Fiji, has a background in the construction industry, which later shifted to tourism and hotel ownership and management. Rohit is a law graduate from Auckland University and has studied management internationally, including Harvard Business School. Mr Reddy Senior has been in the tourism industry since 1954. Rohit Reddy has been in the tourism sector since 2002 and Peter Kerr has been in the tourism sector for 30 years.

## Investment Process

The key aspects that the Reddy Group were looking for in a hotel investment was a great location with the right attributes. This was the Group's first investment in Tonga, described as a "generally smooth" process that took three years. Once the site was found, the aim was to restore and refurbish the existing hotel to a 4 star standard. The investment in Tonga has generally been successful, but it is too early to make any strong assessment of the long-term success of the investment.

Interviewee's noted that Tonga can offer much to investors, with features not found elsewhere in the South Pacific region. Investing in Tonga is very timely as it is a growing destination with improving infrastructure. It has appealing natural resources, a strong economy and the presence of international banks with no capital controls. The tourism industry; though an under-developed tourism sector, has high potential. Tonga has attractive natural resources with rich soil, varied marine life and marine recreational resources, including the unique whale watching industry. The government has also

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opened up new incentives and policies to boost tourism. In addition, Tonga has good transportation links to Australia, New Zealand, the United States and other South Pacific Countries, due to recent developments in airline services.

The Reddy Group found investing in Tonga a challenging experience. However, a number of factors facilitated the process, with the Tongan government being professional, helpful and beneficial throughout the process. The renovation of the old Dateline hotel needed incentives, a long-term land lease, and certain concessions to get the redevelopment completed within two years. The group found advice



Source: Image from <http://www.tanoainternational.com/>

from their lawyers, local knowledge and networks as critical aspects that facilitated the investment. In addition, developing key relationships with locals in the market helped them immensely. The Reddy Group found that engaging with local farmers, producers and fishermen was another good way to link to local supply chains.

## Barriers to Investment

With relevance to investment, there are a number of barriers in Tonga. For example, there is a limited number of skilled workers and managers, and as such; Tanoa has a focus on training staff to have consistently high customer service. Rohit stated that their initial role was to train the new staff at the hotel whilst interacting with the local community, government ministries and officials, tourism businesses, trade and of course the regional travel stakeholders. Availability and mobility of skilled labour were not the only issues. The high cost of electricity and links to high quality local food and produce were additional challenges the Tanoa Hotel faced.

## Looking Forward

Although it is still too early to evaluate success and return on investment for the Tanoa Dateline Hotel, Reddy Group see a generally positive future for the hotel as well as the business and intend to expand to other Pacific Islands. With improved infrastructure, such as, airport development and accessibility, internet connections and utilities (water, energy and renewable energy), Reddy Group sees Tonga improving as a destination. They think the tourism authority can effectively market the country to the rest of the world, especially New Zealand and Australia. Reddy Group would advise future investors to do their homework properly and to choose wisely where to invest. In order to have a successful investment, the Reddy Group emphasise the need to understand the local Tongan people, culture and market. They also suggest adding another 24 months to forecasts and projections. This increased timeframe allows the investment to materialise.



Source: Image from <http://www.tanoadateline.com/>