

# TOURISM SECTOR STUDY

## NIUE



### 1. ECONOMIC INDICATORS OF TOURISM

#### 1.1 Key Economic Indicators

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Population ('000) <sup>a</sup>	1.86	1.79	1.71	1.65	1.6
Population Growth (%) <sup>a</sup>	(2.9)	(3.7)	(4.4)	(3.6)	(3.0)
GDP (US\$mn) <sup>b</sup>	7.6				
Real GDP Growth(%)	(0.7)				
GDP/Capita (US\$) <sup>b</sup>	3,600				
Tourism Contribution to GDP (%) <sup>c</sup>			13.0		
Balance of Visible Trade (NZ\$ mn) <sup>d</sup>	(4.56)	(1.63)	(3.11)		
Inflation Rate (%) <sup>b</sup>	1.0				
Exchange Rate (US\$1 to NZ\$)	2.13	2.47	2.06	1.68	1.56

a – Censuses 2000 & 2001; Government estimate 2002; Pacific Island Populations, SPC, 2003-2004.  
b – CIA World Factbook: GDP estimate based on purchasing power parity method; inflation estimate for 1995.  
c – SPTO Regional Tourism Strategy for the South and Central Pacific.  
d. Government of Niue Statistics  
d – X Rates.com.

***NB Niue is a microstate which has been self-governing in free association with New Zealand since 1974. New Zealand is responsible for defence and external affairs. Niueans have right of abode in New Zealand. Data limitations are due to a lack of resources to quantify many aspects of the economy and the fact that the main source of revenue (i.e. remittances from the 14,000 Niueans resident in New Zealand)***

### **1.2 Balance of Payments**

Niue has an extremely limited resource base. The country has no known mineral resources and few exports. Farming and fishing are important supplements to the heavy reliance on imported food from New Zealand. The nation is a classic MIRAB (**M**igration, **R**emittances, **A**id and **B**ureaucracy) economy – surviving on the basis of migration (largely to New Zealand), remittances, aid (largely from New Zealand but with contributions from other nations) and a high percentage of those employed working in the bureaucracy.

Most trading is done with New Zealand however there is a large trade imbalance with imports of approximately NZ\$4m in 2002 compared with exports of approximately NZ\$200,000. Export commodities consist mainly of taro, honey and small quantities of coconut, handicrafts and vanilla.

### **1.3 Employment**

The labour force totaled 747 in the 2001 census with 11% of these classified as unemployed. There are no figures on the composition of employment but most are in government service or agriculture. A small number of local contractors are engaged in house construction, road maintenance and other infrastructure projects. Almost all of Niue's requirements are imported and there are several companies involved in importing/wholesaling. Small retail shops are located throughout the island and these are mostly locally owned. There is only a very limited manufacturing sector in Niue.

### **1.4 Construction Costs**

The limited local construction operations have costs similar to, or above, those of New Zealand.

### **1.5 Operating Costs**

There is no minimum wage legislation. Hourly wage levels are similar to those in neighbouring islands at close to US\$0.50. Fuel prices are significantly higher than the South Pacific regional average at US\$0.92 for motor gasoline and US\$0.95 for diesel (end 2003 prices).

### **1.6 Local Skills Base**

The small resident population allied to the right of abode in New Zealand for Niueans results in a limited skills base on Niue though it is noted that as new ventures are developed many skilled Niueans would return to their homeland. Government is committed to building the population and diversifying and increasing the revenue base, recognizing the need to reduce dependency on aid and move towards a stronger private sector with a wider revenue base. Tourism, vanilla and fisheries have been identified as industries where Niue has a comparative advantage and so are targeted as key initiatives.

## **1.7 Infrastructure and Services**

### **Air and Sea Access**

Hanan International Airport – the island’s sole airport – was extended in 1995 to 2,335 metres and can handle mid-range aircraft of the Boeing 737 type. In line with its low level of flight frequency terminal and baggage handling facilities are limited. The airport does, however, meet international safety standards. Following the demise of Royal Tongan Airlines, Hanan is served on scheduled international flights by a sole carrier – Polynesian Airlines – on weekly flights to/from Apia (Samoa) and Auckland (New Zealand). Niue is in the second year of a five year contract with the airline.

Niue is serviced by supply ship once every three weeks.

### **Telecommunications and Information Technology**

Telephone: international direct dialling (IDD) and local facilities are available. Outgoing international calls must be made through the operator. There are telephones in hotels, motels and guesthouses. Services are run by the Telecommunications Department located at the Commercial Centre in Alofi, which also provides fax facilities, and is open 24 hours a day. Internet facilities are also available.

### **Utilities**

Electricity is 240 volt AC, 50Hz.

Due to the unusual geography of Niue, there are no rivers. Water is collected from roof catchments and boreholes. The water is of good quality.

### **Roads**

There are 130km of good quality main roads, including the 65km circular road. The island also has about 170km of bush tracks criss-crossing it, connecting villages and running through scenic rain forest, scrub land and bush plantations.

## **2. TOURISM STATUS AND TRENDS**

### **2.1 The Tourism Offer**

Niue is a raised atoll formed of two terraces, the lower being 20 metres above sea level, the higher (inland) 60 metres. The lower terrace ends in steep cliffs containing caves and deep chasms. Very few beaches exist, and access to the sea is via a system of coastal tracks. Some parts of the island are fringed by a low coral reef close to the coast that can be walked at low tide. The island’s up-raised coral makeup create a rugged coastline and reef which provide intimate swimming coves and high quality diving, snorkeling and fishing opportunities.

Niue offers a unique array of terrestrial and water-based activities to the traveller. The Huvalu Conservation Area and inland farms attract visitors and tours available to interpret these features. Villages and everyday life serve to interest visitors as do the “ghost” villages formerly occupied by those who have emigrated to New Zealand. There is a wide array of trails, tracks and roads attracting cyclists and hiking-oriented visitors.

Water-based activities include game fishing, diving and snorkeling, with coastal reef walking also being a very popular pass-time. Whale and dolphin watching is also a small-scale activity which is generating growing tourist interest.

### Accommodation

Accommodation is generally clean and well managed – there are no 4/5 star hotels on the island. The Matavai Hotel (part-owned by Government) is the major source of accommodation and tends to cater to visiting business and government officials. The hotel has 24 rooms and is listed as a 3 star property. Hotel Niue and Waimanu Guesthouse were totally destroyed in the cyclone early in 2004.

Five other guest houses/motels provide accommodation, with room numbers varying from 1 – 5. Niue's total room stock is around 43. The quality of guesthouse accommodation is generally quite high.

The range of restaurants is very limited although there have been some recent additions to the stock.

A full inventory of Niue's tourist enterprises is given in Appendix 1.

## **2.2 Market Trends**

The total number of tourists arriving in Niue reached over 2,700 in 2003, which represented considerable growth over the last two years. The industry had definitely been on an upswing – with a great deal of confidence in the industry about its prospects. Unfortunately in February 2004 Cyclone Heta devastated the tourism industry, although the influx of aid workers and consultants has played some role in reducing the shock for many surviving businesses.

The major market for visitors is New Zealand, which dominates VFR, business and holiday segments. The European and North American markets remain more significant than Asia.

**Table 1: Visitor Arrivals to Niue 2003 (non – residents)**

Year	Total	Aust.	NZ	Sth Pac.	Oth. Pac.	Nth Am.	UK	Ger.	Oth. Eur.	Jap.	Oth. Asia	Oth.
1996	1,522	171	1,029	121	18	55	7	22	45	13	8	3
1997	1,820	236	1,088	219	48	98	14	24	43	14	18	1
1998	1,736	205	1,104	204	24	89	16	27	35	7	8	2
1999	1,870	215	1,074	227	91	86	49	31	32	21	7	3
2000	1,647	175	948	164	59	155	32	21	51	14	10	1
2001	1,407	142	675	156	20	193	0	0	174	0	30	1
2002	2,084	180	926	255	0	252	93	42	140	9	17	17
2003	2,707	325	1,394	407	83	178	82	63	90	18	20	4

While the tourism industry still depends heavily on business and VFR related travel the real growth in recent years has come from the holiday segment. During 2003 Niue was doing particularly well in the New Zealand holiday market with increased interest also starting to come from long haul destinations.

**Table 2: Niue Visitor Market Breakdown by Purpose of Visit**

	Year	Holiday	Business	Visiting friends and family	Other
	1996	733	364	327	98
	1997	810	534	317	159
	1998	974	374	350	65
	1999	885	461	397	47
	2000	986	571	365	89
	2001	788	354	259	145
	2002	1,158	437	381	108
2003	Mar Qtr	150	51	111	22
	June Qtr	301	68	118	32
	Sept Qtr	649	171	125	54
	Dec qtr	300	150	303	102
	Total	1,400	440	657	210

### Occupancy and Seasonality

The Matavai Hotel enjoyed a relatively high occupancy rate during 2003 but this has fallen since Tropical Cyclone Heta in February 2004. There is considerable seasonality in arrivals. December records the highest arrivals – due to migrant Niueans returning to visit friends and relatives. The July, August, September period is most popular for holiday visitors from New Zealand.

### Estimates of Expenditure

No data are available on tourist spending in Niue.

## **3. INVESTMENT OPPORTUNITIES IN TOURISM**

Niue recognizes tourism as a viable means of accelerating the economic growth and development of the nation through its contribution to foreign exchange earnings and stabilization of the balance of payments, as well as its capacity to create income and employment opportunity.

The current vision guiding tourism development policy is:

“ There will be a flourishing tourism industry based largely on the attractions that the unique environment has to offer. The industry will be serviced by regular airline services to New Zealand and other Pacific Island Countries. The revenue base for the government will have expanded so that there are sufficient funds available to finance necessary infrastructure maintenance and replacement, provide seed capital to encourage private industry and investment .....”.

- The priority at this point is to rebuild the economy following Cyclone Heta. Tourism is an integral part of this rebuilding process. Among the areas identified by Government as being of most pressing need is replacing tourist accommodation lost in the cyclone.

Key post cyclone strategies of interest to potential tourism investors and partners are:

1. Rehabilitation of the tourism infrastructure through appropriate support for accommodation, sea tracks, and scenic sites maintenance and product development
2. Reinvigoration of tourism activities through increasing and effective marketing strategy

The major focus at this point is on assisting in the rebuilding of accommodation stock and in ensuring new facilities are built in cyclone-proof areas.

#### Accommodation

The recent cyclone has destroyed much of the island's accommodation stock. There is a clear need to rebuild accommodation and a great deal of enthusiasm among operators to get started again. These are small-scale developments that are likely to of limited interest to off shore investors on an individual basis – but could be of interest collectively. There is definitely potential for a small-medium 10-20 room complex set away from the water's edge.

#### Diving/Water Activities

This is the major potential attraction for most visitors to Niue. At present there is one dive operator and one larger fishing charter business. There is also a Fishing Charter operation with a 16ft aluminium boat. Both operations were hit by the cyclone – with the dive operators losing their business premises and the charter suffering damage to its repair facilities and workshop. The dive operation will re-open at the hotel and despite the loss of some of its reef dive spots due to the cyclone it has strong potential. Whale and dolphin watching is another area with considerable potential.

#### Cultural Facilities

There appears to be some interest in developing a small-scale cultural experience in one of the inland bush areas of Niue. Such a development is likely to require some facilities for meals and coordination with the local community to provide a product that is based around creating a greater understanding of Niue culture and everyday way of life. Such a centre would also become an important access point to local handicrafts.

#### Sustainable Technologies

There is considerable interest among a range of accommodation operators in developing environmentally sustainable technologies – with a few toward making Niue one the world's 'greenest' tourism destinations. The potential for wind and solar powered systems is considerable and this could represent a very interesting opportunity for businesses wanting to break into the Pacific marketplace.

## **4. OPERATING ENVIRONMENT FOR TOURISM INVESTMENT**

### **4.1 Investment Framework**

The Government of Niue welcomes foreign investment. Government policy is to support, within reason, any overseas investment proposal which could provide employment for local people, increase opportunities for import substitution and reduce the trade deficit.

Priority will be given to investment proposals that directly or indirectly contribute to the National Development Goal and Objectives as set out in the *Niue Integrated Action Plan*,

1999 - 2002. Proposals relating to tourism are of particular interest to the Government. However, priority will also be given to the projects and proposals which emphasise skills and technical transfers to local Niueans, and investments which make provisions for local ownership. Any forms of investment for example, sole ownership, corporate or joint venture will be considered.

Foreign investment proposals are dealt with on a case-by-case basis with the Government generally being accommodating regarding the terms and conditions under which overseas firms can operate. The only restriction is the availability of land that can only be leased by non-natives, and then only with the approval of the Minister of Natural Resources. Approval to repatriate profits under the Foreign Currency Act is required from the Secretary of Finance. There are no limitations on capital/profit transfers.

Niue is a self-governing parliamentary democracy, operating in free association with New Zealand. No visa is needed for visits of up to 30 days but on entry, visitors are required to have 'sufficient funds' and an onward ticket.

There are very few restrictions on raw material imports. The main restriction is related to the importation of plants and animals, where investment approval is needed. The only limitations on imports into Niue are those contained in the liquor and firearms legislation or quarantine and health requirements.

There is no excise legislation. Clearances of goods from customs follow normal procedures. Completed import entries should be lodged with Customs prior to release of goods. An application for exemption of duties can be lodged with Cabinet if this is seen as necessary by an investor.

Niue has a very simple tax system. There is a flat rate of 30% for both resident and non-resident companies. with taxes on both companies and employees. Both resident and non-resident company rate of 30 percent. For individuals taxation is on a sliding scale from a minimum rate of 10 percent to a maximum of 50 percent (ie income over US\$19,950).

#### **4.2 Incentives Regime**

The incentives and concessions available are set out in the Schedule of the *Niue Development Investment Act 1992*. The categories are:

- ***Tariff Protection*** (against imported substitutes or excessive competition).
- ***Capital Equipment Concessions*** (partial or full exemption, or refund of duties).
- ***Raw Materials Concession*** (partial or full exemption on raw or processed materials for an import substituting or export generating activity for 5 years).
- ***Tax Concessions*** (for new activities, or the expansion of existing activities, that contribute significantly to the Niuean economy).
- ***Recruitment Costs set against taxable income*** (applies in the case of bringing Niueans resident overseas to work in Niue)
- ***Training of Local Persons*** (where an enterprise employing an employee other than a local or an expatriate designates a local person to be trained to replace the expatriate employee in that position or job, up to 200 percent of the direct cost of training during each year may be claimed against the taxable income of the enterprise over the first three years of training).
- ***Depreciation Allowances*** (accelerated depreciation allowances of up to 200 percent of the rate specified in the Income Tax Act 1961 may be granted on

- plant, machinery, equipment, and permanent buildings used or to be used in any approved activity).
- **Residence Permits** (subject to such conditions applying from time to time, residence and work permits maybe granted for periods up to three years to key personnel or employees).
  - **Salary Subsidy** (in certain circumstances, subject to Government approval, a proportion of the wages of a local person be subsidised by the Government for a period of up to three years. Such a subsidy is not to exceed 75 percent for year 1; 50 percent for year 2; and 25 percent for year 3).

#### **4.3 Access to Finance**

The local currency is the New Zealand Dollar, and there is one commercial bank in the country – Westpac. It provides a comprehensive range of personal, business and international services but has a limited role to play in terms of local business loans. The Development Bank of Niue provides finance for a commercially viable business ventures at concessional rates.

##### International Financial Institutions

Niue as a signatory to the Cotonou Agreement has access to the facilities of the European Investment Bank (EIB). As a member of the World Bank, the facilities of the International Finance Corporation (IFC) would be available for projects in this country.

## **APPENDIX ONE: INVENTORY OF TOURISM ENTERPRISES ON NIUE**

*NB number of rooms/units given in parentheses*

### **Accommodation**

Currently operating accommodation includes:

- Coral Gardens motel (5 units)
- Matavai Resort (24 rooms)
- Namakulu Motel (1 unit – 4 closed due to cyclone)
- Peleni's Guesthouse (3 bedroom house)
- Kololis Guesthouse (5 bedroom house)
- Anaiki Motel (5 units)

### **Water-based sports**

- Akau Charters (game, fly, casual fishing)
- Niue Dive (diving, snorkeling, whale watching)
- Vaka Tours (traditional out-rigger tour)

### **Land tours**

- Tali's Cave Tour
- Misa's Nature Tours
- Herman's Reef Walk
- Huvalu Conservation Area (local tour guides) The CA is located in the South Eastern part of Niue, with its boundary stretching down to the coast. The total area is approximately 54 hectares with 85% being covered with rain forest. Huvalu forest contains significant populations of birds, bats, endangered coconut crabs and other wildlife, making it an important site for ecotourism development.
- There is also a 9 hole golf course, 2 tennis courts.

### **Transport**

There is no public transport but rental cars and bikes are readily available from Niue Rentals, a local drivers license must be obtained (simply show your existing license and pay a small fee)

### **Shopping and Food**

There are few choices for meals on the island. The Matavai provides good quality hotel fare, and the nearby Washaway café provides meals on some evenings and throughout the day. A scattering of cafes in Alofi provides basic food. There are 2-3 bars operational after the cyclone. There are a small number of local food shops scattered around the island, with most shops concentrated in the capital Alofi. The Philatelic bureau is open during regular working hours. Handicrafts are not easily found but are sold in one or two local shops.

## **APPENDIX TWO: INTERNET RESOURCES ON NIUE**

### **Niue Tourism Office**

Address: P. O. Box 42, Alofi, Niue

Tel: (683) 4224

Fax: (683) 4225

Email: [niuetourism@mail.gov.nu](mailto:niuetourism@mail.gov.nu)

Website: [www.niueisland.com](http://www.niueisland.com)

### **Government information (March 2004)**

<http://www.gov.nu/>

<http://www.cia.gov/cia/publications/factbook/geos/ne.html>

<http://www.offshoreon.com/othertext/Niue/Niue.asp?juris=Niue>

[http://www.niueisland.com/statistics\\_files/Jan%20to%20Mar%202003.pdf](http://www.niueisland.com/statistics_files/Jan%20to%20Mar%202003.pdf)

### **General information**

<http://www.dfat.gov.au/geo/niue/index.html>

<http://www.angelfire.com/country/niue/>

<http://www.globalgeografia.com/oceania/niue.htm>

<http://www.countryreports.org/niue.htm>

<http://www.cia.gov/cia/publications/factbook/geos/ne.html>

<http://www.workmall.com/wfb2001/niue/>

<http://www.escapeartist.com/niue/niue.htm>

<http://www.realworldholidays.com/links2/pages/Niue/>

[http://travel.yahoo.com/p-travelguide-473706-niue\\_vacations-i](http://travel.yahoo.com/p-travelguide-473706-niue_vacations-i)

[http://www.abc.net.au/asiapacific/news/GoAsiaPacificBNP\\_1029425.htm](http://www.abc.net.au/asiapacific/news/GoAsiaPacificBNP_1029425.htm)

<http://www.niueisland.com/newpage2.htm>

<http://www.niueisland.com/>

<http://www.embassyworld.com/embassy/niue.htm>

<http://www.angelfire.com/country/niue/links.html>

<http://www.hellopacific.com/news/general/news/2004/01/21/21i.html>

<http://www.pacificislandtravel.com/niue/introduction.html>

<http://www.sidsnet.org/eco-tourism/index.html>

[http://www.cas.nu/niue\\_news.htm](http://www.cas.nu/niue_news.htm)

<http://www.unescap.org/tctd/projects/projects-countries.asp?Country=Niue&T=Tourism>

<http://www.nzaid.govt.nz/programmes/c-niue.html>

<http://www.pacificislands.cc/pmalmanac/pmprofile.php?pmalmanacid=0015>

<http://www.mfat.govt.nz/foreign/regions/pacific/who/niue.html>

<http://www.comm-comm.com/niue.htm>

<http://www.pacificislands.cc/pm32001/pmdefault.php?urlarticleid=0034>

[http://www.dfat.gov.au/geo/niue/niue\\_brief.html](http://www.dfat.gov.au/geo/niue/niue_brief.html)

<http://www.unescap.org/tid/tradedirectory/advance-search.asp>

<http://www.niue.nu/>

<http://www.rootsweb.com/~niuwgw/>

[http://www.cas.nu/niue\\_news.htm](http://www.cas.nu/niue_news.htm)

[http://www.embassyworld.com/maps/Maps\\_Of\\_Niue.html](http://www.embassyworld.com/maps/Maps_Of_Niue.html)

### **Tourism business structure**

<http://www.expedia.co.uk/daily/wg/P42611.asp?CCheck=1>

<http://www.escapeartist.com/niue/niue.htm>

### **Associations & Law**

<http://pidp.eastwestcenter.org/jcc/mpc/assnlist.htm>  
<http://www.law.cornell.edu/world/australasia.html#niue>  
[http://www.paclii.org/\(2004\)](http://www.paclii.org/(2004))

### **Foreign relations, constitutional and international status, constitution (2003)**

<http://www.cookislands.de/niue/niue.html>

### **Country, economy and regional information (2004)**

[http://www.dfat.gov.au/geo/niue/niue\\_brief.html](http://www.dfat.gov.au/geo/niue/niue_brief.html)

### **General information, tourism profile, current tourist accommodation, language and culture, climate, infrastructure, air access, ground and sea access, investment (2003)**

<http://www.forumsec.org.fj/docs/IG/Tourism%20Guide%20Sydney.pdf>

### **Tourism attractions, tourism accommodation**

<http://www.travelmaxia.com/niue/index.cfm>  
<http://www.spto.org/sitemap.shtml>  
<http://www.pacific-travel-guides.com/niue-island/>  
<http://www.lonelyplanet.com/destinations/pacific/niue/>  
<http://www.tcsp.com/destinations/niue/index.shtml>  
<http://www.traveldocs.com/nu/>  
<http://www.janeresture.com/niue/>  
<http://www.southpacific.org/faq/niue.html>  
<http://hotelstravel.com/niue.html>  
<http://www.ase.net/servlet/SearchHotel/526/-19.01/-169.91/Alofi>  
<http://www.wealth24.com/niue/touristguides.htm>  
<http://www.1uptravel.com/international/oceaniapacific/niue/>  
<http://www.pacificnavigator.com/niue/niue.html>  
<http://www.embassyworld.com/embassy/niue.htm>  
<http://www.niueisland.com/>

### **Tour operators**

[http://www.hideawayholidays.com.au/niue\\_.htm](http://www.hideawayholidays.com.au/niue_.htm)  
[http://www.pi-travel.co.nz/search.cfm?regionid=27&list\\_type=main](http://www.pi-travel.co.nz/search.cfm?regionid=27&list_type=main)  
<http://pacific-for-less.com/ni.shtml>  
<http://www.pacificislandtravel.com/niue/introduction.html>

### **Background on the Foreign Investment Regime:**

<http://www.forumsec.org.fj/docs/IG/P10.htm>