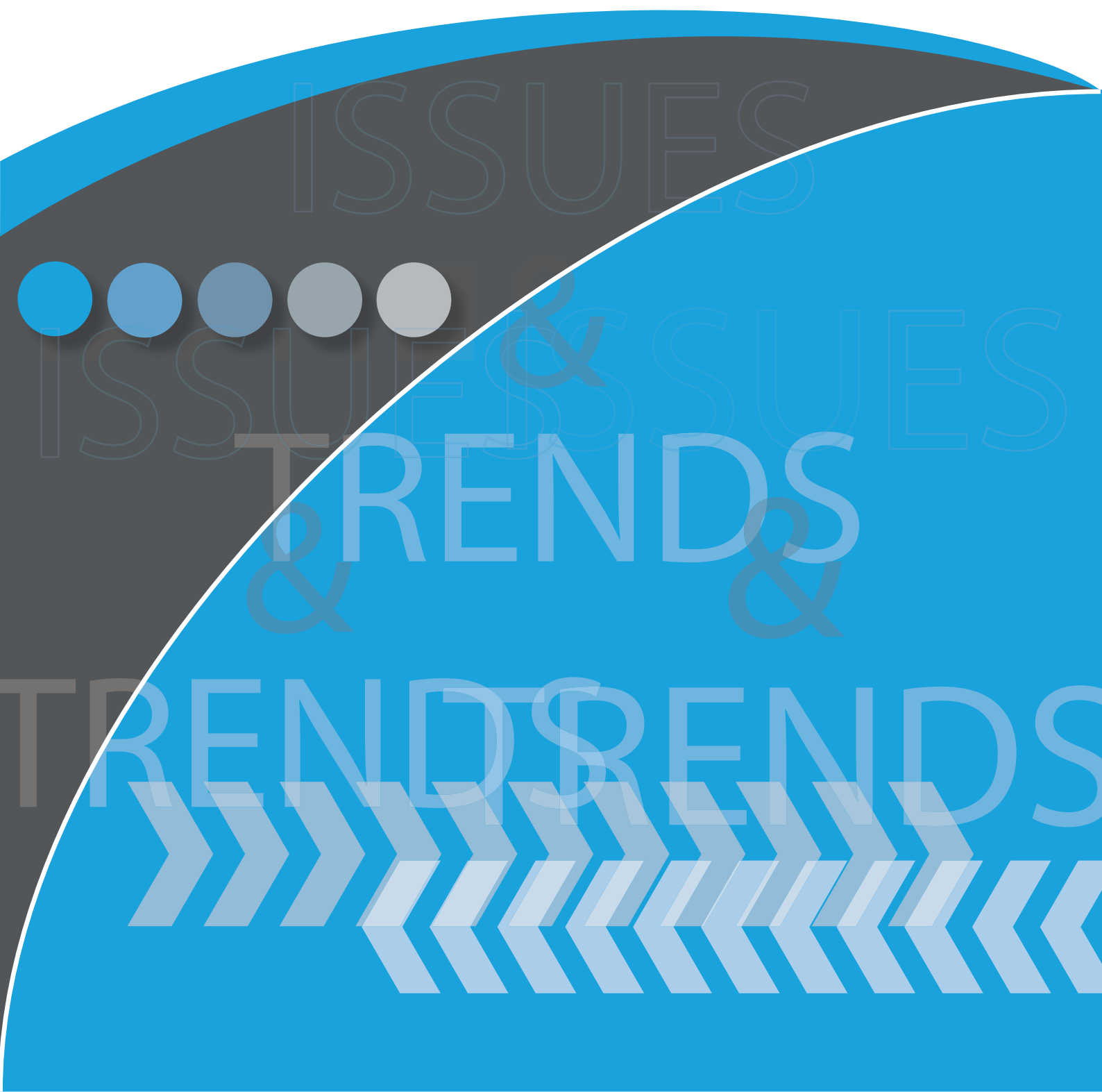


VOLUME 16 , Issue I

# ISSUES & TRENDS



## NEW DAWN FOR ASIAN RESORT DESTINATIONS

*Resorts are a relatively new invention in Asia, only emerging in the mid-1970s before fully developing from the late 1980s onwards. Originally conceived to support coastal locations, today's changing traveller types and traveller habits are having a big impact on the face of resorts, while competition is increasing throughout the region.*

The first noteworthy 'resort' was developed in Belgium in 1326 in what is now known as Spa. An ironmaster, named Colin le Loup, was cured of a long-term illness when he bathed in the iron-rich waters near Liege. As a result, a health resort was opened around the springs and the town surged in popularity – by the late 18th century it recorded between 600-1,200 spa visitors per year. The term 'spa' later became associated with any health resort located near natural springs.

According to a study by John K. Walton from the University of Central Lancashire, the idea of the seaside resort and beach holiday first appeared during the Industrial Revolution in the 18th century. The first commercial sea-bathing activities began in England shortly before 1720 in Whitby and Scarborough in North Yorkshire. They were followed in the early years of the 19th century, by new seaside resort cities such as Brighton. In Germany Friedrich Franz the first, Grand Duke of Mecklenburg (a province in Northeastern Germany) invented the world's first 'integrated' recreational area in 1793 with the opening of an elegant maritime station dotted with spa and hotel residences in Heiligendamm on the Baltic Sea.

In the middle of the 20th century the USA took over the resort concept. Following Nevada's legalisation of gaming in 1931, hotels started opening up on what is now known as the Strip, starting in 1941 with the Hotel El Rancho Vegas. Five years later, in 1946, the Nevada administration started to levy its first gaming taxes and, between 1946 and 1952, a number of large capacity hotels were added to the Strip including the Flamingo, the Sands and the Sahara.

From these large capacity hotels the idea of the hotel resort was developed – a single location offering everything from accommodation to golf, shopping, casinos, restaurants and entertainment. The Aladdin, for example, which opened in 1966, offered 400 guest rooms, a par-54 golf course, five dining facilities, four swimming pools and a 500-seat theatre.

Today, areas in the USA that have a large concentration of resorts remain among the top travel destinations within the country. In 2009, the US Office of Travel and Tourism Industries recorded that of the top 20 city destinations, six can be considered typical resort destinations (Orlando, Las Vegas, Honolulu, San Diego, Tampa/St Petersburg and Anaheim). Together they accounted for 29.7% of all overseas arrivals in 2009, some 7.08 million visitors.

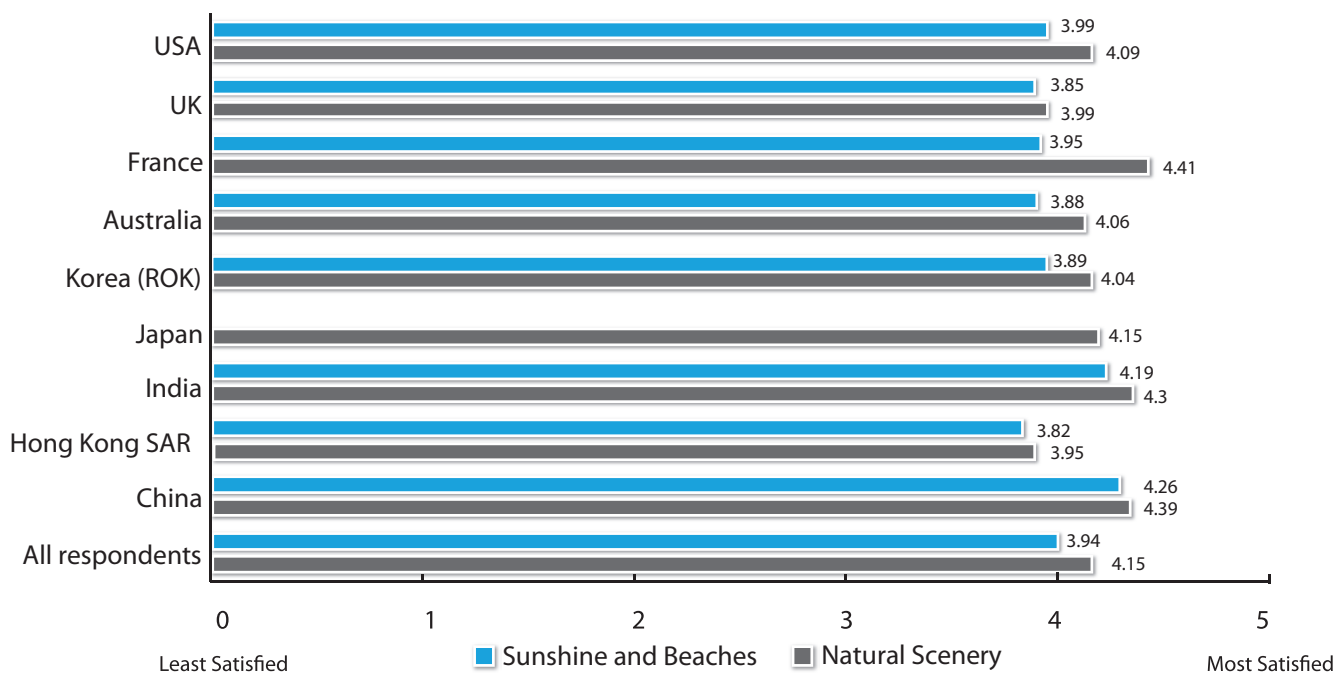
### Walt Disney, father of the mega-resort

From the mid-1950s Disneyland Theme Parks added a new dimension to the resort idea. With the opening of Disneyland in Los Angeles in 1955, and then DisneyWorld in Orlando in 1971, the Disney Company reinvented the resort concept by integrating a theme park dimension into the resort experience. Reaching the scale of a city, resorts have naturally turned into destinations in their own right.

When Walt Disney was looking for a location to develop his dream project, the Stanford Research Company pointed to Anaheim in Orange County as the best location. In the early 1950s Orange County was still a rural community but had started to gain in popularity following its use as a training ground for World War II servicemen who then decided to settle in this paradise-like area.

Opening in 1955, Disneyland became an instant hit – first amongst American travellers and then around the world. The resort now has two parks: Disneyland and Disney’s California Adventure, which represent a total area of 2.6 square kilometres. There are three integrated hotel resorts on the site. Over 20,000 people are employed at Disneyland resorts, which contribute US\$3.7bn to the local economy. Anaheim has consequently turned into one of the most dynamic metropolis areas in the USA. It has a population of only 340,000 inhabitants but every year welcomes around 43 million visitors with some 20.5 million visiting Disneyland alone. The city area has 148 hotels with over 19,609 rooms. Resorts represent 62.7% of all hotel properties recorded in Anaheim (the equivalent of 78 units), however their market share in total rooms climbs to 80.1% or 15,709 units (Source: Anaheim Orange County Visitors and Convention Bureau, 2010).

**Exhibit 1:**  
**Satisfaction with Sunshine, Beaches and Natural Scenery in Asia Pacific (2009)<sup>1</sup>**



<sup>1</sup> Source: Visa and PATA 'Asia Pacific Travel' Intentions, 2009

Even Singapore felt the necessity to create its own resort destination on Sentosa Island before further investing in luxurious resort facilities in the neighbouring Riau Archipelago (Indonesia).

Many of these seaside resorts were built on the same model, drawing inspiration from Florida or Hawaii, and were typically supported by a range of beach activities, along with amusement and theme parks, as well as shopping areas. Spas were then added as a later feature.

This model can be found throughout Southeast Asia, in resort destinations such as Pattaya and Phuket in Thailand, Bali in Indonesia, Batu Ferringhi (Penang) in Malaysia, Cebu in the Philippines, and the Gold Coast and Townsville in Australia.

### Infrastructure is key

Many of Asia's resort destinations have already reached a degree of maturity, receiving international arrivals of between 500,000 and three million travellers per year – and they are still continuing to grow.

Worldwide visibility is key, with a number of these resorts considered 'brands' in their own right, as well as being closely connected to the country in which they are located. Pattaya, for example, has garnered a reputation as a stand-alone destination, but is also intrinsically linked to Thailand.

In terms of visitors, well-established resorts often account for a significant percentage of their respective country's overall arrivals – anything from 10% (Goa and the Gold Coast) to 35% (Bali). Based on 2008 data, Phuket and Pattaya combined captured 21% of all foreign guests staying overnight in hotels and commercial accommodation in Thailand (source: Thailand national statistics office); Cebu accounted for 25% of all arrivals to the Philippines (source: Philippines Department of Tourism); Penang and Langkawi captured 15% of all foreign hotel guests in Malaysia (source: Tourism Malaysia).

The success of the first Asian resorts resulted in the development of a second wave of similar, resort-style destinations from the mid-1980s onwards, such as Koh Samui in Thailand, Boracay in the Philippines and Langkawi in Malaysia. The latter was turned into an international resort destination thanks to the efforts of the previous Prime Minister Mohammad Mahathir, who was born in the region. Conceived originally to be Malaysia's answer to Phuket and Bali, the Langkawi Development Authority received over US\$485 million from the government to provide a range of social, economic and tourism infrastructures. The state built an international airport, an international conference and exhibition centre and improved roads, while it favoured the construction of hotels through tax incentives. Today Langkawi welcomes some 2.5 million travellers annually.

**Exhibit 2:****Total number of registered commercial accommodation units at selected resorts in Asia (2008)<sup>2</sup>**

Resort area	Country	Total number of rooms	Share of total accommodation in the country
Bali	Indonesia	40,459	12.1%
Hainan	China	40,265	2.5%
Pattaya	Thailand	38,550	10.6%
Phuket	Thailand	37,884	10.4%
Macau SAR	Macau SAR	18,858	100%
Cebu	Philippines	18,009	27.7%
Koh Samui	Thailand	15,404	4.2%
Riau Archipelago	Indonesia	12,868	3.8%
Krabi	Thailand	12,446	3.4%
Sabah	Malaysia	12,383	7.7%
Penang	Malaysia	12,345	7.4%
Genting Resort	Malaysia	10,000	6.0%
Nha Trang	Vietnam	9,712	4.7%
North Sulawesi	Indonesia	8,998	2.7%
Trat	Thailand	8,308	2.3%
Langkawi	Malaysia	7,283	4.4%
Boracay	Philippines	6,984	10.7%
West Nusa Tenggara	Indonesia	6,388	1.9%
Palawan	Philippines	4,140	6.3%
Bohol	Philippines	3,901	6.0%
Phu Quoc Island	Vietnam	2,000	1.0%
Sihanoukville	Cambodia	1,762	7.7%
Sentosa Island	Singapore	1,307	3.3%

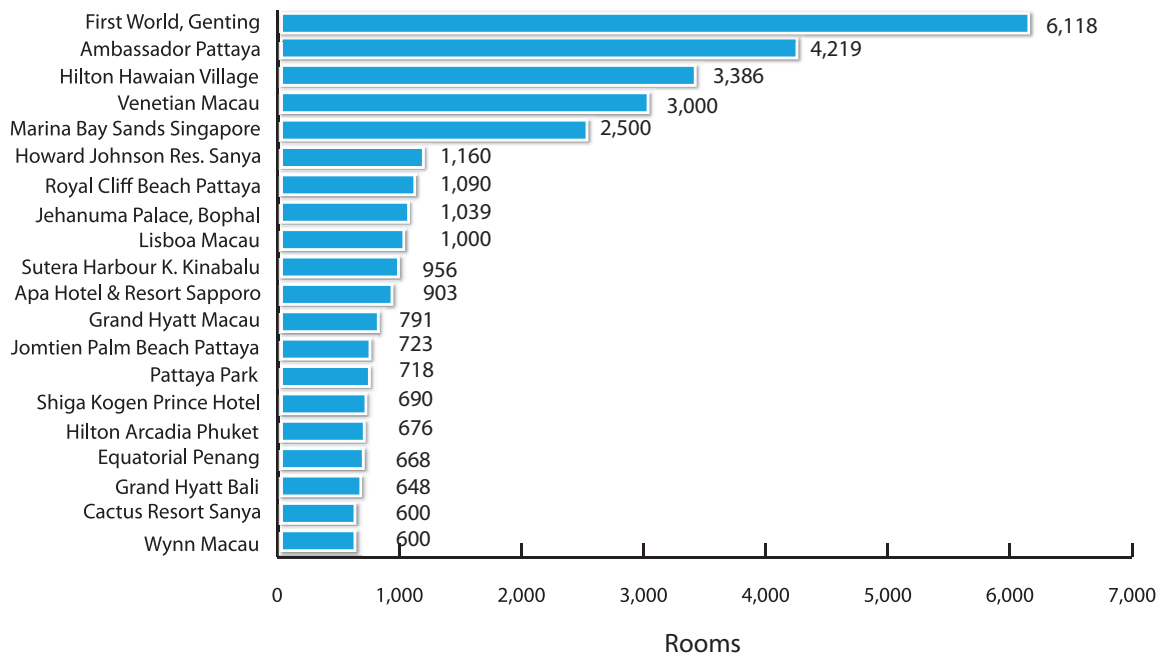
- Riau Archipelago includes both Batam and Bintan Islands
- West Nusa Tenggara includes Lombok and Sumbawa
- North Sulawesi includes the city of Manado

The success of mature resort destinations generally relies on top-class infrastructure and facilities. Large resorts also carry the name of international hotel chains, which in return offer the destination worldwide exposure. Some chains are even deeply associated with a destination. This is the case in Las Vegas where MGM Resorts International, Sands Corporation and Wynn Corporation have become closely associated with Nevada’s gaming capital. Although Macau SAR’s tourism and hotel scene was dominated for years by Sociedade de Jogos de Macau (SJM), which not only owned the Lisboa Hotel but also had a monopoly on all gaming activities, it is now becoming more like Las Vegas with the same big names shaping the destiny of its tourism industry. Genting Highlands in Malaysia was created from scratch by Genting Holdings, while in Japan some resorts have built their success thanks to the presence of large Japanese hotel corporations.

**Size matters**

Of the world’s 30 biggest hotels, 20 are in Las Vegas, while Honolulu, Genting, Macau SAR, Pattaya and Singapore each have one from the top 30 (offering at least 2,500 rooms). In general, however, the average hotel in Southeast Asia is considerably smaller, with ‘large’ hotels rarely having more than 500-600 rooms. On average, capacities at resorts fluctuate within the range of 150-300 rooms in Bali, Cebu and Phuket, and within the range of 50-150 in Boracay, Samui and Langkawi. In China and Japan the high number of domestic tourists means that many hotels in popular destinations such as Okinawa or Sanya (Hainan Island) have hotels with larger capacities of between 300-600 rooms.

**Exhibit 3:  
Number of rooms at some of Asia’s largest resort hotels (2010)<sup>3</sup>**



3 Source: hotels

While international chains have been present in Bali and Phuket for 25 years or more, they have only recently moved to tap into the potential of secondary resort destinations. Over the last five years, Shangri-La has established a presence in Boracay ; Sheraton opened in Nha Trang and Danang in 2009; Four Seasons opened in Langkawi, while Le Méridien favoured Kota Kinabalu. Aman Resorts have almost secured a monopoly on small resort lodges in Bhutan, with five properties in the Himalayan kingdom each offering between eight and 24 suites.

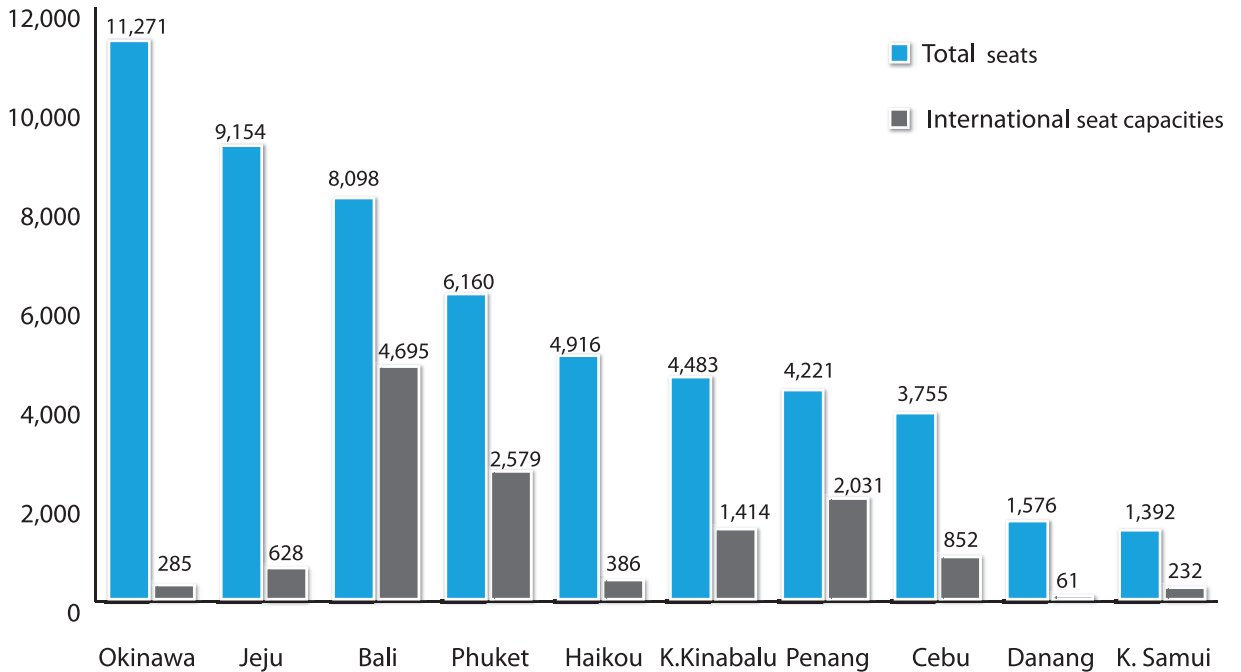
Another important characteristic of mature resort destinations is the presence of a well-connected international airport. Airports within resort areas are generally the second largest in the majority of Asian countries, especially in Southeast Asia. With over nine million passengers a year, Denpasar International Airport in Bali represents just over 10% of total passenger traffic at Indonesian airports in 2009. Bali is even better connected than Jakarta to destinations located in Australia, Japan and Korea (ROK). It has recently gained new flights from Qatar Airways and KLM targeting the European market. Phuket, meanwhile, is the second largest airport after Bangkok in Thailand, with total traffic exceeding 4.5 million passengers annually. This airport's position has been boosted following political protests in Thailand's capital which precipitated the decision by a number of airlines to offer more direct flights to the Southern airport. Recent months have seen Phuket commence new flights to Australia, China, Japan and Indonesia.

Although airports in Northeast Asia rank among the top five in terms of yearly seat capacity, they sit at the bottom for the number of seats offered on international flights, revealing that there is still room to improve overseas connectivity. Not surprisingly, Bali, Penang and Phuket have the highest share of international seats, with 40%-60% of all capacity. (see Exhibit 5)

In the last three years many airports at resort destinations have been upgraded, including Dalat and Nha Trang (Vietnam), Koh Samui and Krabi (Thailand), Sihanoukville (Cambodia) and Sapporo New Chitose Airport (Japan).

Airports at smaller resort areas will also see a rapid increase in international flights as infrastructure projects are approved. Future airport developments include the construction of new terminals in Bali and Phuket, and the construction of a brand new airport in Lombok. Further projects planned or underway include the construction of a new terminal in Goa (increasing capacity from the current two million to eight million passengers), a new terminal in Cebu, a runway expansion in Caticlan (from 950 metres to 2,100 metres) and a complete new airport in Panglao-Bohol Island (the latter two both in the Philippines).

**Exhibit 4:**  
**Yearly air seat capacities at selected airports serving resorts in Asia (July 2010)<sup>4</sup>**  
 Includes charter and leisure flights



**Exhibit 5:**  
**Market share (%) of yearly air seat capacities on international flights for selected airports at resorts in Asia (July 2010)<sup>5</sup>**  
 Includes charter and leisure flights

Airport	Country	International air seats as a % of total air seat capacity
Denpasar (Bali)	Indonesia	58.0
Penang	Malaysia	48.1
Phuket	Thailand	41.9
Kota Kinabalu	Malaysia	31.5
Cebu	Philippines	22.7
Koh Samui	Thailand	16.7
Krabi	Thailand	15.8
Langkawi	Malaysia	10.9
Manado	Indonesia	8.4
Haikou	China	7.8
Jeju	Korea (ROK)	6.7
Okinawa	Japan	2.5



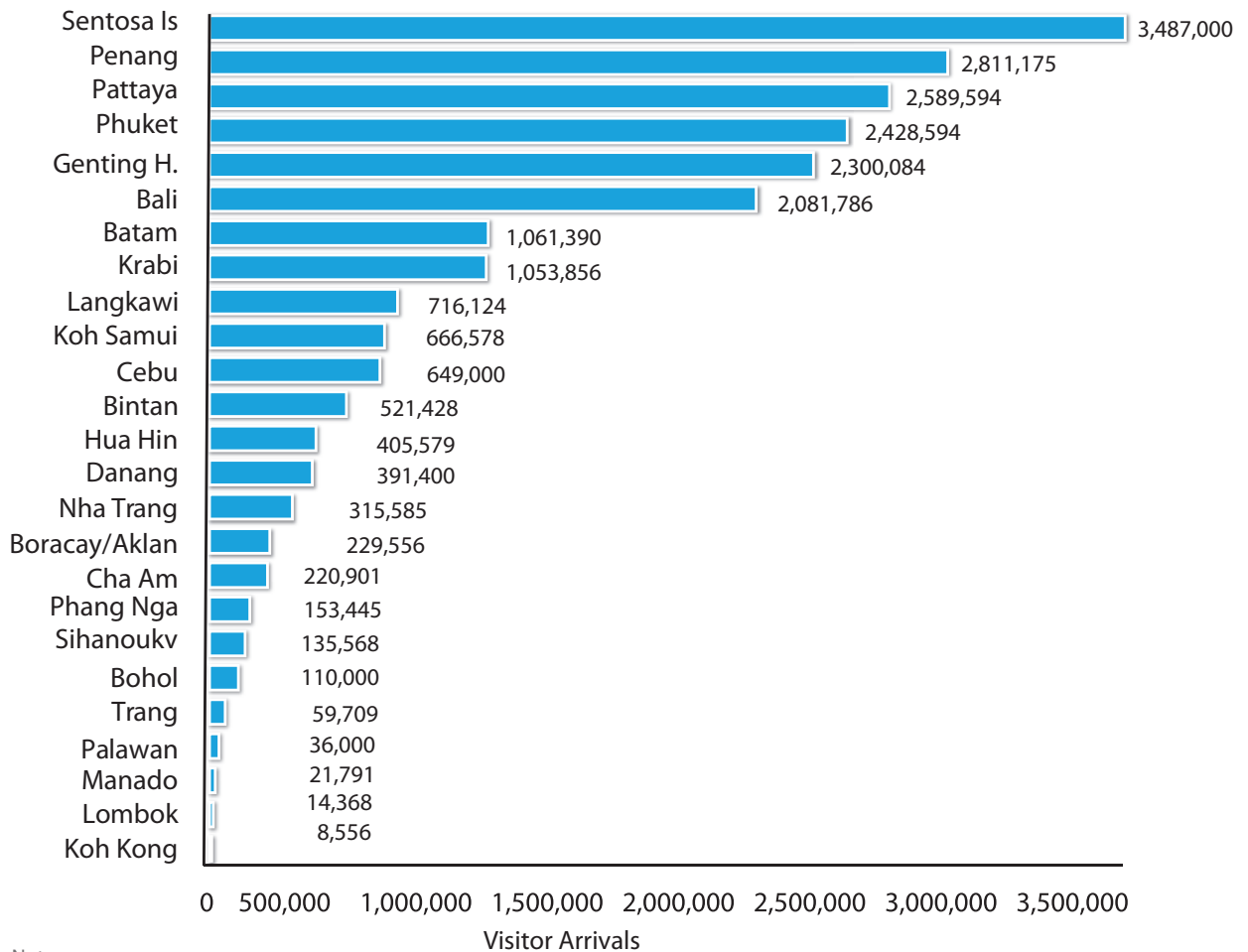
## Changing times

The last two decades have seen the re-defining of the resort concept as new trends emerge in the travel industry. Market patterns are changing, resorts are becoming more sophisticated, and notions such as sustainable and social tourism are coming into play. Tourists are also increasingly seeking greater exclusivity and intimacy, as well as recreational and cultural experiences. While this may be changing the face of the resort as we know it, it also opens up a whole realm of possibilities – and this time it is not only the seaside destinations that look set to benefit, for example:

- Rising travel incomes and the maturing of many traditional markets in Europe, America and Northeast Asia have created new demands for products, with a greater emphasis on luxury and intimacy. Small-scale resorts are increasingly competing with large-scale integrated resorts.
- Sustainable and environmentally friendly tourism are becoming core elements in the destination selection process.
- The search for exotic, unusual destinations and unique travel experiences offers areas away from coastlines the chance to shine. Mountainous areas, for example, are becoming increasingly popular even in countries traditionally known for their coastal resorts, such as Vietnam, Malaysia and Thailand, along with more traditional mountain destinations in China, India, Lao PDR, Nepal and Bhutan.
- Urban resorts are also growing in popularity, offering a relaxing retreat in the midst of a bustling city. China, Thailand (Bangkok and Chiang Mai), Malaysia (Kota Kinabalu and Penang) and India (Goa, Darjeeling) are all positioning for this trend.
- Niche resorts are being built around cultural themes. Urban resorts with a cultural flavour are already available in Chiang Mai, Siem Reap, Singapore and Hangzhou/Wuzhen. Honeymoon resorts or those with a romantic flavour are also becoming popular. The Maldives, Hawaii, Pangkor Island and Langkawi (Malaysia), Hua Hin, Chiang Mai and Bali are among the top destinations for honeymooners.
- Exotic unspoilt destinations are increasingly favoured and have, since the 1990s, contributed to the emergence of new resort destinations in Asia. In the last 20 years new seaside paradises have emerged in Indonesia (Bintan, Lombok, Manado), Malaysia (Langkawi, Kota Kinabalu, Pulau Redang in Terengganu), Thailand (Krabi, Koh Chang, Trang) and in the Philippines (Boracay, Bicol, Bohol and Palawan).

New competitors are to be found in Indochina with Vietnam and Cambodia well on target to be the next trendy destinations for seaside resorts. Despite its incredible potential for both mountainous and seaside tourism, Myanmar meanwhile remains handicapped by its political situation. Never the less, an international resort area has been developed with Thailand over the last 15 years near the border city of Ranong in the Mergui Archipelago. Resorts located along the Mergui archipelago are only an hour and 40 minutes away by speed-boat from the Thai border in Ranong.

**Exhibit 6:**  
**International visitor arrivals at selected resort destinations in Southeast Asia, 2008**



Notes:  
 - Sentosa Island (Singapore): total number for financial year 2007/08. Does not necessarily mean overnight guests.  
 - Penang and Genting Resort: total overnight guests staying in hotels.  
 - Boracay, Cebu and Palawan (Philippines): estimated figures from various statistical tourism sources.  
 - Bintan (Indonesia): combined figures for visitor arrivals at Bintan Resorts and Tanjung Pinang.  
 (Sources: NTOs, NSOs, media reports, corporate reports)

**Vietnam and Cambodia on the rise**

Emulating China’s experience on Hainan Island (see below), Vietnam is looking at turning Phu Quoc Island into a top seaside destination. Located in Southern Vietnam with a surface area as large as Singapore, the island is designated as a duty-free zone and is accessible without a visa for most foreign travellers. The government has declared 70% of Phu Quoc a national park, while property is being developed on the remaining 30%. In 2009 and 2010 the island’s Investment and Development Management Board licensed 84 investment projects covering 1,157 hectares of the island’s total area of 57,400 hectares. This represents an investment of US\$2.4bn. A further 12 projects are already in the pipeline or nearing completion.

In May 2010, Vietnam’s Prime Minister approved the outline of the Phu Quoc masterplan to 2030. The south of the island will be developed mainly for international tourism with luxury properties, while the north will focus on ecotourism with traditional villages being preserved and restored. Phu Quoc should be able to welcome between two and three million travellers by 2020.

Danang and Nha Trang are also being developed for seaside tourism purposes. Danang, Vietnam's third largest city, has turned the Ngu Hanh Son District into an integrated resorts area with 80% of the land being reserved for resorts and tourism. According to a report from property company Savills Vietnam, Danang now has 23 hotels and resorts within the three- to five- star category. Offering 1,700 rooms these hotels include international chains such as Hyatt, Intercontinental and Accor. Some 42 further projects have been approved which could potentially add another 7,000 rooms in the three- to five- star category between now and 2015. In 2009 Danang recorded 1.3 million travellers, including some 400,000 from overseas.

In 2009 Nha Trang had a total of 9,850 rooms – including resorts and budget hotels, however only five per cent of this accommodation was of an international standard. There are 25 three- to five- star properties (hotel/resorts) supplying some 2,660 rooms. The airport was upgraded last year with the first scheduled international flights due to start to/from Russia and Korea (ROK) before the end of 2010.

Cambodia's resort development has been mainly focused on the resort town of Sihanoukville, but is increasingly turning towards the cities of Kampot, Kep and Koh Kong, the latter an island close to the Thai border.

Sihanoukville is Cambodia's largest resort destination and is linked to the Cambodian company Sokha Hotels, which operates the only five-star resort in the city. Sokha Beach Resort stretches over 23.5 hectares of land and includes a 1.5 kilometre private beach. The hotel has 166 rooms and 10 villas. It has also started to construct a second resort hotel with a casino. Due for completion by 2012, the O'Chheuteal Beach Resort & Casino will offer 560 rooms and suites sprawling over 65 hectares of land with a 2.4 kilometre beach front.

Sokha has also won the construction rights for another 652 room resort and casino on Bokor Mountain, overlooking the coastal city of Kampot. A large resort and casino (with 519 rooms) can be found at Koh Kong, the second largest seaside resort in Cambodia, near the Thai border.

Millennium Group and its Cambodian Partner, Royal Group, are due to develop a 78 square kilometre private Cambodian island Koh Ron into a luxury resort destination. The Island is almost the size of Hong Kong Island and will be developed in stages. Phase one will comprise of two spa resorts (200 rooms), 160 estate villas, a beach club, restaurants, an airport and seaport, and a lagoon.

Twenty minutes away from Kampot, Kep used to be an elegant seaside resort during colonial times and the first decades of independence, with Cambodian bourgeoisie coming over for the weekend. Now, the small seaside town is once again turning into an elegant hangout following the development of three boutique hotels.

### Indonesia and the Philippines eye success

With their relatively underdeveloped pristine coastlines, both the Philippines and Indonesia have a promising future in terms of resort development. But the challenges of poor land infrastructure and, in the case of the Philippines, an underdeveloped airport system lie in their way.

With careful relatively underdeveloped of resort areas both Indonesia and the Philippines could potentially compete with destinations such as Thailand, Bali and the Maldives. For example, ambitious plans to build an integrated resort on Lombok Island have been discussed with Dubai real estate investor Emaar for several years now, however the economic crisis in the Emirate has slowed down this development process.

Other destinations – mainly as diving resorts – are being developed in the southeast of Indonesia and north Sulawesi, in Maluku, in Flores and in Papua (Irian Jaya). East Indonesia is in fact likely to turn into Indonesia's fastest growing destination in the next decade as it has been kept largely untouched by mass tourism. West Sumatra could also offer new seaside resorts at Mentawai and Sikuai Islands. The government in the North Sumatra Province, meanwhile, is working to bring international resorts to the area around Lake Toba, an already popular area for domestic and Malaysian travellers.

In the Philippines the Tourism Masterplan foresees the further development of resorts in Boracay, Palawan and Bohol, as well as in the Davao area. Palawan will see its first integrated resort completed by 2012 at Isla Diwan. This project is part of a joint venture agreement between Singapore-listed Banyan Tree Holdings Limited and a local Filipino partner, Tranden Group. When fully developed, the 55 hectare integrated island resort will feature three hotels with a total of 600 keys, three spas, a marina and a town centre with full facilities. Banyan Tree will operate a property under its own brand with 100 rooms and for Angsana Diwan (200 rooms). Both projects will require an investment of US\$200mn.

A major handicap, however, is the lack of airport capacity in the country with short runways at airfields serving Boracay and Bohol and a lack of international flights to Puerto Princesa and Davao.

### **Sentosa, a seaside city resort for Singapore**

With six million visitors recorded annually, Sentosa Island welcomes approximately 30% of all visitors to Singapore, proving that the concept of a resort island in the midst of a big city has been a successful one. The Sentosa story started back in 1972 with the formation of the Sentosa Development Corporation (SDC); by 1974 the cable car commenced operations, while the first beach facilities opened to the public in 1975. Development accelerated in the late 1980s and early 1990s with the opening of Underwater World, as well as two resorts: the Beaufort (now Sentosa Resort and Spa) and the Shangri-La Rasa Sentosa Resort. These were followed by the Sijori Sentosa Resort in 1996.

In 2004, SDC embarked on a Masterplan to transform the island into a world-class resort destination within a ten-year time frame. In 2006, SDC signed an agreement with Genting International (Malaysia) to create a world-class integrated resort facility comprising hotels, a casino and a theme park. In the same year the Siloso Beach Resort was opened, with two more hotels inaugurated by 2008. The past decade has seen further developments to the island's infrastructure, including a light rail system linking Sentosa to the mainland, a golf course and a second bridge, as well as various attractions and new beaches.

2009, meanwhile, saw the soft opening of Resorts World Sentosa and Universal Theme Park, the island's new integrated resort, which expects to attract up to five million visitors annually, adding to the existing 6.1 million foreign guests to the island (as recorded in the financial year 2007/08). With such attendance the integrated resort could soon welcome as many visitors as Phuket, Thailand.

In terms of capacity, Resorts World Sentosa currently has four hotels with a total of 1,350 rooms. With an additional two hotels yet to open, this room inventory will increase by a further 500 rooms when they launch. By then Sentosa Island will represent 6.3% of Singapore's hotel room inventory, almost doubling its market share of 2008 (3.3%).

### **Sun, sea and a fabled city: China's two very different resorts**

With China's middle class forecast to grow from 50 million in 2009 to 170 million by 2020 – and as much as 500 million by 2030 - domestic demand to turn destinations into attractive resorts is expected to be very high. This middle-class is accompanied by a migration to cities, so that by 2020 more than half of China's population will be urbanites, generating an estimated US\$3 trillion in consumer spending.

While most of China's tourism development is aimed at attracting domestic travellers, some destinations are being built with foreign visitors in mind. One such destination is Hainan Island in Southern China which, with a climate comparable to Hawaii, is perceived as the country's most promising sea and sun destination. The China State Council issued a memorandum at the end of 2009 stressing that Hainan had been designated a 'test case' in developing an 'internationally competitive tourist destination'. Since then its tourism development has been designated as a national policy with a plan to push the southern island into the country's 10 top international destinations by 2020.

In 2010 Hainan attracted more than 23 million tourists<sup>6</sup>, of which 0.67 million came from overseas. Tourism currently represents five per cent of Hainan's GDP and is poised to reach eight per cent by 2015 and 12% by 2020. Over the last 15 years, Sanya a resort city located on Hainan's southernmost tip, has seen significant investment from Chinese real estate millionaires with sale prices for condominiums and hotel construction sky-rocketing. According to real estate sources, property prices soared 50% in 2009, five times higher than China's average. The first Hainan luxury chain arrived in 1995, but by 2008 there were 260 hotels, of which 74 were 5- and 4-star properties.

One of Hainan's largest integrated resort developments to date is Qingshui Bay Resort. Also called Hainan Clearwater Bay, the area is 40 minutes drive from Sanya City and Sanya airport. Covering an area of 1,000 hectares, the IR will offer three 18-hole golf courses of international standard, six high-end hotels and two yacht clubs, together with large-scale commercial streets, shopping malls and a hot spring spa. Hilton, JW Marriott, Jumeirah, Outrigger and Raffles will manage properties along a 10 kilometre white sand beach coastline. Most projects are due for completion between 2012 and 2013. Some 3,000 rooms are due to be on offer, on top of an existing room stock of 42,000 units (2009).

In 2010, the Chinese government relaxed lottery regulations on the island province, allowing Hainan to develop pari-mutuel sports lotteries and instant sports lotteries on large international events, a change which is expected to enrich its tourism resources. The country's tourism specialists expect Hainan to go further into the gaming market with the likely introduction of horseracing and casinos. Hainan could then rival Macau SAR as China's new gaming capital. A new resort has already been announced: the Mangrove Tree Resort will be the largest hotel in Asia (700,000 square metres and 5,800 rooms) and will integrate a gaming area to house a greyhound racing stadium, sporting events and go-cart racing. It is due to open in 2012.

A further area of development is Phoenix Island, one of the most expensive projects in Hainan; this development will include a seven-star hotel, an international health resort, an international yacht club, an Olympic theme park, a waterfront commercial street, an international convention and exhibition centre and the world's largest international cruise centre.

Conferring duty-free status on Hainan Island is seen by Chinese authorities as a means to attract more Asian and domestic travellers. The decision was taken by the China State Council on December 31, 2009 with the law becoming effective from January 1st, 2011. However, duty-free purchases are implemented step by step. Since January 1st, all overseas travellers including those coming from Hong Kong SAR, Macau SAR and Chinese Taipei can claim back VAT on 21 categories of goods in three designated Sanya and Haikou shopping malls. According to local sources, it could take another six months before Mainland Chinese will be able to purchase duty-free items. There will likely be limits to Mainland Chinese purchases as well; some are talking about the possibility of buying twice a year in duty-free shops with an upper limit for the value of purchased items fixed at RMB 5,000 (approximately US\$ 760).

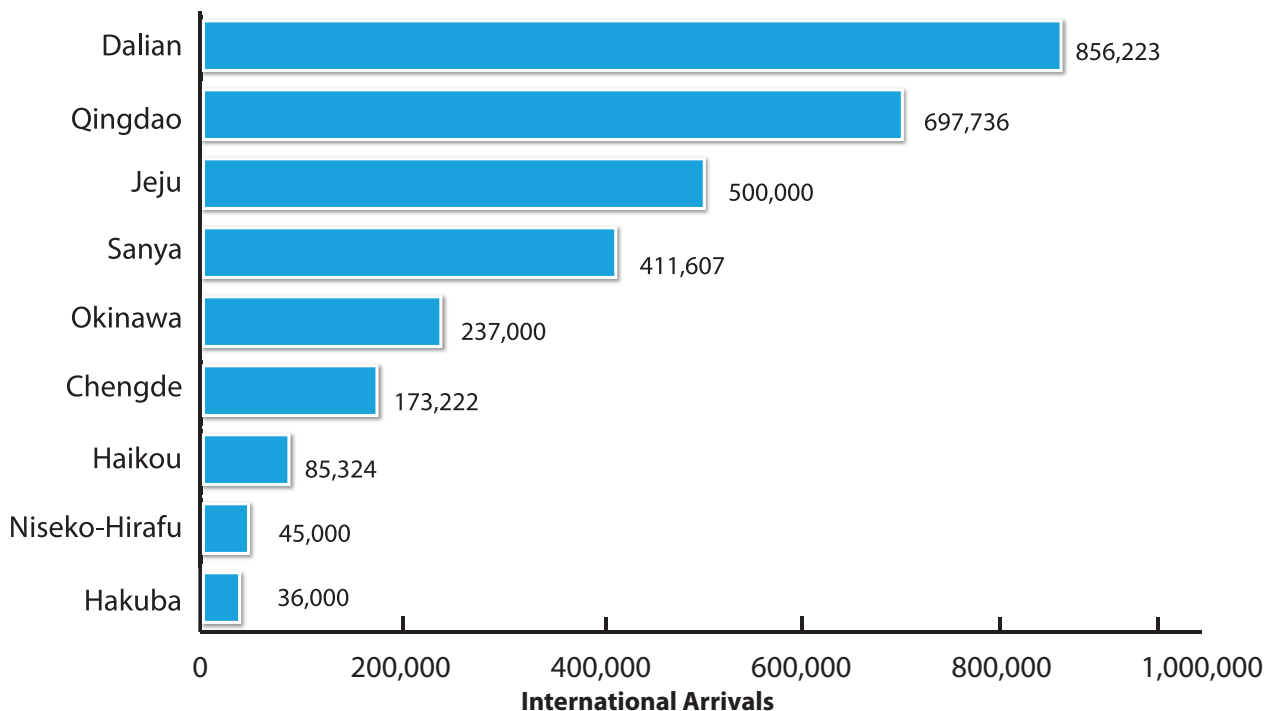
#### **A number of attributes add to the appeal of Hainan Island including:**

- Hainan is China's largest 'special economic zone', which entitles it to preferential development policies;
- It is open to foreign travellers without a visa (26 countries benefit from the visa waiver programme);
- Both Haikou and Sanya International Airports benefit from a complete open skies policy. A third international airport (Qionghai Boao Airport) is due to be completed by 2013;
- It has an open policy to attract international cruise lines and private boats in marinas. Sanya Phoenix Island cruise port will be able to accommodate giant cruise ships of up to 250,000 tons;
- Duty-free shopping on the island for foreigners (via tax refund) and domestic travellers is being developed;

- Flexible financing policies for projects related to tourism through Hainan’s tourism industry development fund already exist as do preferential tax regimes for tourism projects;
- International events (Hot Air Balloon Festival, International Joy Festival, Tour Round Hainan Cycling race, International regatta, etc.) are being developed. Particularly noteworthy events are the annual Hainan Coconut International Festival and the annual Boao Forum for Asia, the latter being based on the World Economic Forum template;
- Designation of four resort areas: Sanya Beach Holiday Development Zone, Haikou Entertainment & Shopping Development Zone, Tongza Li & Miao Ethnic Traditions & Holiday Development Zone, and Xinglong Hot-spring Resort Development Zone.

Hangzhou, on the other hand has taken a very different approach in fostering its tourism industry. This fabled city – described by Marco Polo as ‘the City of Heaven, the most beautiful and magnificent in the world’ – is looking to further upgrade its image as an exclusive destination. With a population of two million, Hangzhou is one of China’s most scenic locations and has recently seen the addition of two luxury boutique resorts. In December 2009 Banyan Tree opened a property at Xixi National Wetland Park, offering 72 villas and water terraces designed in the traditional ‘Jiang Nan’ style. Meanwhile, 2010 saw the completion of Amanresorts’ Amanfayun which, surrounded by a forest of bamboo and tea fields, is designed in the spirit of a traditional Chinese village with 47 dwellings, a number of which date back over 100 years.

**Exhibit 7:**  
**International visitor arrivals at selected resort destinations in Northeast Asia 2008<sup>7</sup>**



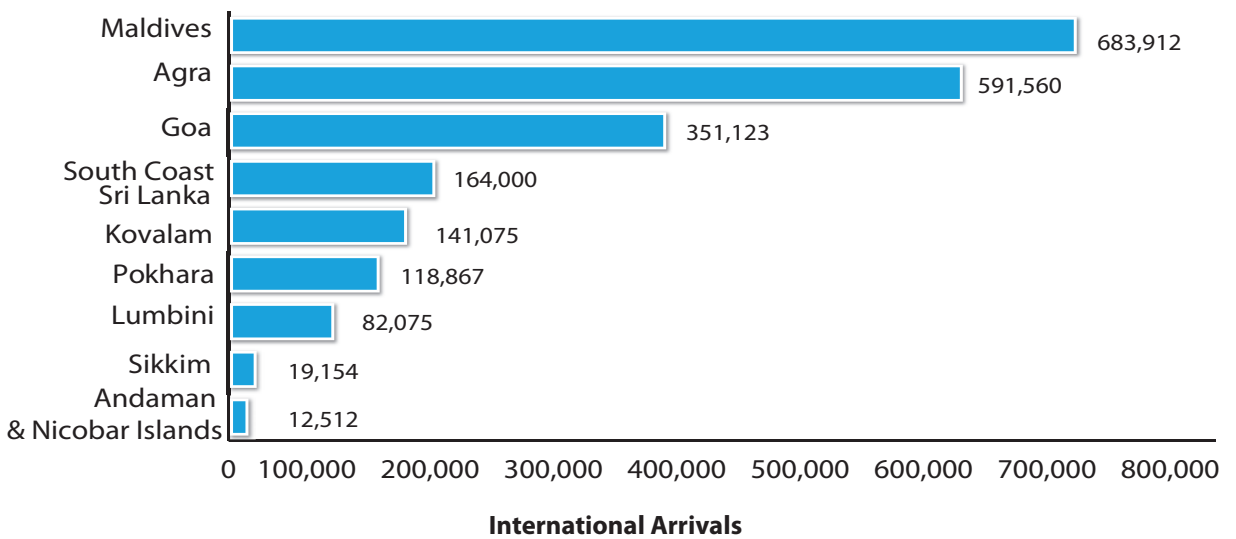
Notes:  
 - Jeju Island (Korea (ROK)): estimated figure for 2008  
 - Hakuba (Japan): data only available for 2007  
 - Niseko-Hirafu (Japan): rounded figures for fiscal year 2008/09

### Goa turns upmarket

Located on the south-west coast, Goa is rapidly turning into India’s premier sea and sun destination. Since the 1960s the state has been a haven for hippies, before turning into a popular seaside destination in the late 1980s when the first charter planes arrived from Germany. In 2009 Goa welcomed over 360,000 foreign visitors, while domestic travellers topped 2.12 million.

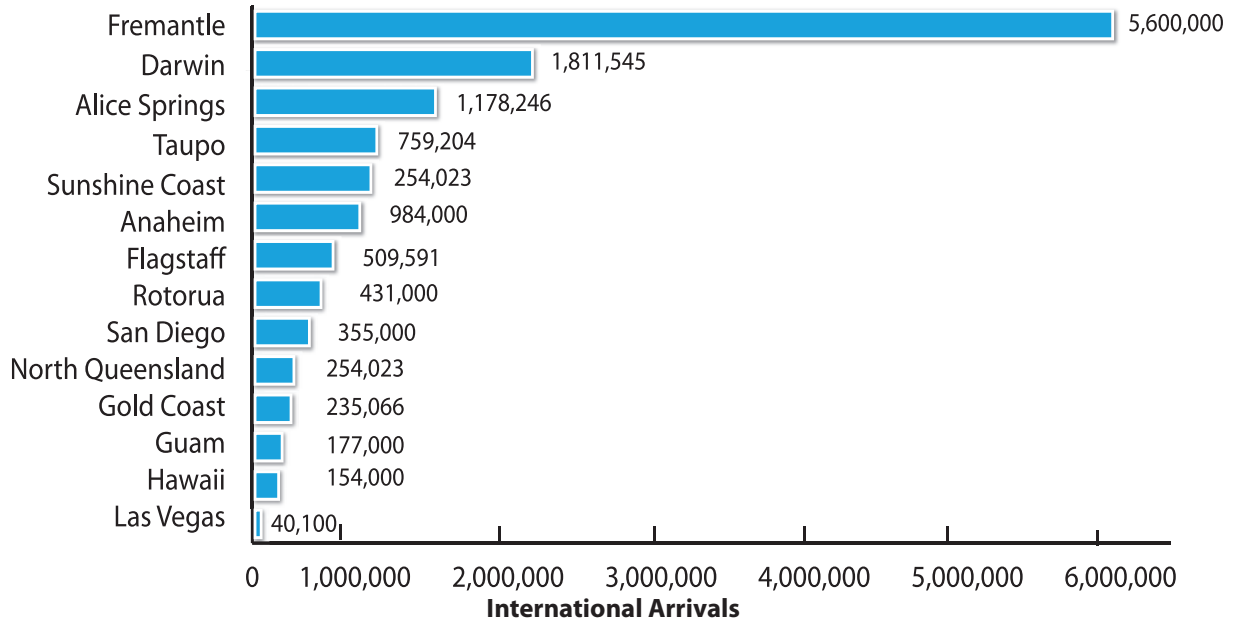
Goa has reshaped its image in recent years with a number of foreign hotels opening properties, including Four Seasons, Holiday Inn, Hyatt, Intercontinental, Marriott, Radisson Blu and even the Indonesian luxury group Alila Hotels. Despite such development, air access remains a major barrier. Goa Airport is largely underdeveloped, lacking a modern terminal and non-stop international flights – most foreign arrivals have to connect through Mumbai.

**Exhibit 8:**  
**International visitor arrivals at selected resort destinations in South Asia 2008<sup>8</sup>**



Notes: Agra foreign arrivals calculated from total foreign visitors to the Taj Mahal

**Exhibit 9:**  
**International visitor arrivals at selected resort destinations in the Pacific and on the US West Coast 2008<sup>9</sup>**



**Notes:**

- Darwin (Northern Territory, Australia) average visitor arrivals 2006 - 2008
- Fremantle (Western Australia) average visitor arrivals 2007-2009
- Taupo and Rotorua (New Zealand): arrivals based on five largest international markets fiscal year March 2008-09
- Las Vegas: estimated number calculated from percentage
- Anaheim, Flagstaff/Grand Canyon and San Diego; overseas visitors (excluding Canada and Mexico)

**Peaks of diversity: Mountain resorts add appeal to Asian destinations**

Mountain resorts have, for a long time, been a feature of countries such as India, Nepal, China, Korea (ROK) and Japan. However, traditional maritime destinations such as Malaysia, Thailand and Vietnam are increasingly being marketed for their nature-related activities, such as trekking or biking in mountainous areas. Sabah and Mount Kinabalu (Malaysia), Chiang Mai and Chiang Rai (Thailand), as well Luang Prabang (Lao PDR) are among Southeast Asia’s fastest growing destinations. Dalat in Vietnam, with its old colonial atmosphere, could also become a popular destination but needs to resolve its access problems. Recently, the Indonesian government has identified Lake Toba in North Sumatra as a new international resort destination. Already a popular area with domestic tourists, Lake Toba has few international travellers due to the lack of international hotels chains and a lack of infrastructure in resort towns.

Hotel chains have also been able to shape a resort destination. Some boutique hotel names have actually been at the forefront of promoting unknown destinations, turning them into luxurious resorts or retreats. Amanresorts, for example, currently has 24 luxury small properties in 15 countries, offering the exclusivity of its boutique concept to relatively unknown destinations such as Pamalican Island in the Philippines (Palawan).



### Japan: creating Asia's new Aspen

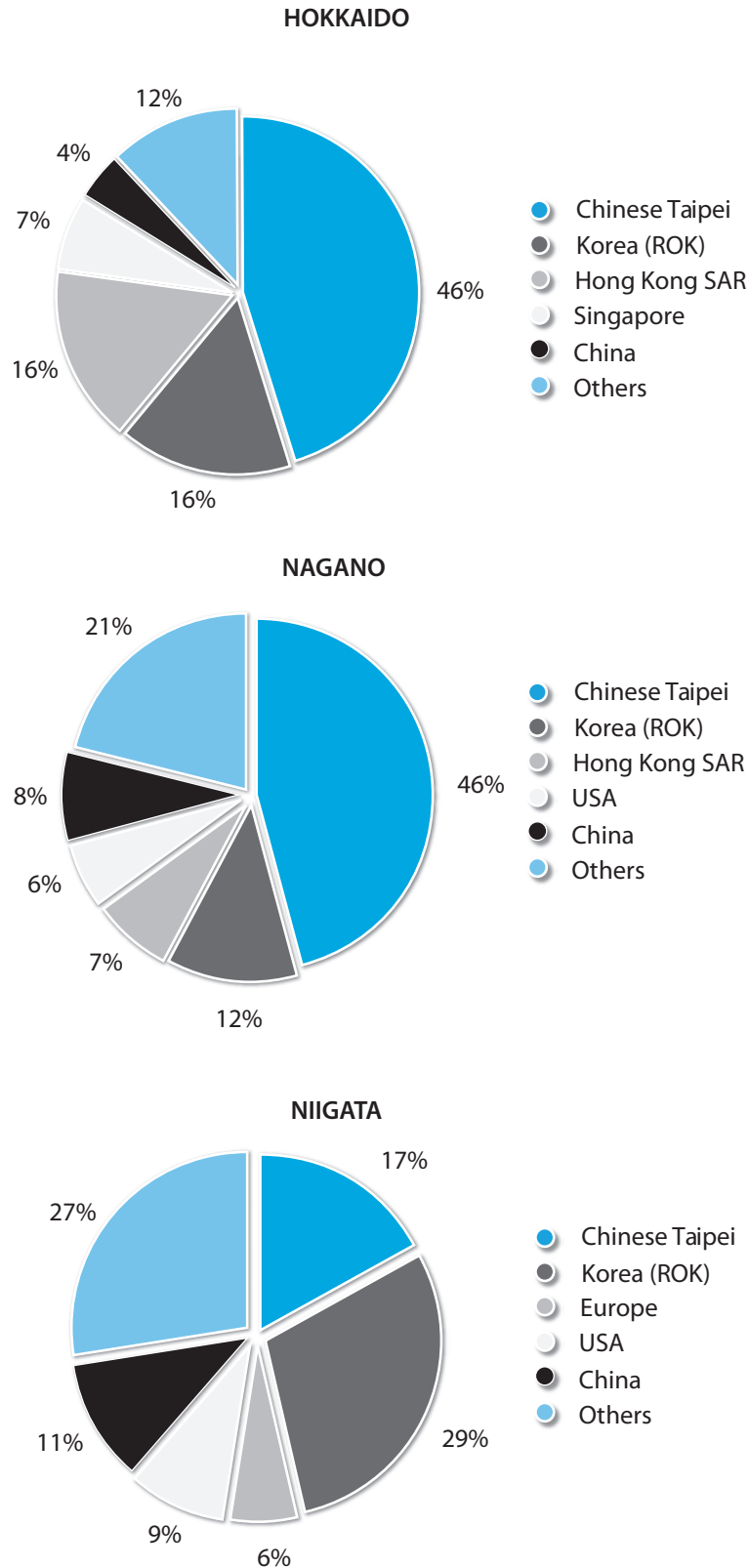
Japan has been a well-established winter destination for the country's domestic market for many decades. The northern Island of Hokkaido has the largest number of ski stations in the country with Sapporo being the principal gateway to winter resorts. There are over 125 winter resorts recorded on Hokkaido Island, followed by Nagano Prefecture with over 100 resorts and Niigata Prefecture with some 70 resorts.

Worldwide exposure to Japanese ski resorts occurred with the hosting of the Winter Olympic Games twice in the country: in 1972 in Sapporo, followed by Nagano in 1998. Since then Japan has been keen to make its winter resorts more open to foreign travellers. Targeted markets are mostly in Asia and the Pacific with China, Hong Kong SAR, Australia and more recently Singapore and Malaysia being amongst the primary targets. Some of Hokkaido's stations have started to invest in overseas promotion. For example Niseko station is turning into a favourite for international visitors. Niseko and the neighbouring village of Hirafu record approximately 45,000 foreign visitors a year (with some 70% coming from Australia), however this is still a very minor figure compared to the 1.4 million domestic visitors received each year.

Since 2003, when the real estate market started to rebound following the crash of the 1990s, Niseko-Hirafu has increasingly looked to target international travellers, attracting foreign investors such as the Hilton Group, the West Paces Hotel Group and Hong Kong SAR telecommunications company PCCW Ltd. West Paces' new property will carry its Capella resort brand and comprise 80 rooms and villas; it is designed by famed architect Tadao Ando and should be completed in 2012.

Taking inspiration from famous Western stations such as St. Moritz and Aspen, the long-term aim is to reshape both villages into world-class ski resorts, with some US\$500-800mn to be invested in infrastructure upgrades over the next 20 years. With Asian tourists in mind, the Niseko-Hirafu city government believes future success lies in combining high quality ski facilities with other leisure activities, such as hot springs and culinary experiences. The Hirafu-Niseko masterplan experience is a first in Japan, combining private and public as well as Japanese and foreign partners. It could well define a model for other developments in the country.

**Exhibit 10:**  
**Foreign overnight guests in Japan Prefectures with winter resorts (2007)<sup>9</sup>**



**Exhibit 11:**  
**Winter season arrivals to Hokkaido (Financial Year 2009 - 10)<sup>10</sup>**

Country	Total guest arrivals	Percentage of guests arriving during the winter season (October 2009 to March 2010)
Chinese Taipei	504,236	60.5%
Hong Kong SAR	322,713	58.7%
China	205,781	70.0%
Korea (ROK)	193,547	54.1%
Singapore	118,865	67.7%
Australia	33,342	89.0%
USA	33,135	51.7%
Europe	31,135	55.0%
Malaysia	24,814	72.5%
Thailand	17,335	65.0%
<b>Total overseas</b>	<b>1,553,561</b>	<b>61.3%</b>

## CONCLUSION

The world of resorts is moving as fast as the economic environment is changing. Two decades ago, resorts were built to attract mostly overseas travellers from Europe, the USA, Australia and Japan. As Asia's middle-class enjoys rising purchasing power and wealth –not only in China or India but increasingly also in Indonesia and Vietnam - the quest for resort products is on the rise. Besides traditional seaside resorts modelled after Bali, Cebu or Phuket, new types of resort destinations are starting to emerge, centred more on families (Sentosa in Singapore, Manila Bay), entertainment (Genting in Malaysia, Bokor in Cambodia), sports (Hokkaido for skiing, Manado for diving) or culture (Alice Springs in Australia, Hoi An in Vietnam). The rapid development of resorts is likely to increase pressure on capacities at well-established destinations and provide opportunities for developing additional products, possibly on a concept of one resort-one island, something that is already available in the Maldives and in parts of Malaysia or Thailand.



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