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Intra-regional Tourism and Challenges Facing Hong Kong's Hotel Industry

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Intra-regional Tourism and Challenges Facing Hong Kong's Hotel Industry

Abstract
Asia is experiencing a rapid growth in intra-Asian tourism, and is finding that the spending priorities of these new visitor markets is quite different from traditional markets. Not only have Hong Kong's markets changed, but the economic operational environment is becoming increasingly difficult as a result of the change in sovereignty in 1997, increasing land prices, and new regulations. The current structure of the hotel industry is out of balance with the demands of these new markets. Hong Kong now needs to consider some intervention in the hotel industry to further encourage the development of properties in this mid-market.

Keywords
J.S. Hobson, Tourism

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Intra-regional Tourism and Challenges Facing Hong Kong's Hotel Industry

by

J.S. Perry Hobson

and

Goldwyn Ko

Asia is experiencing a rapid growth in intra-Asian tourism, and is finding that the spending priorities of these new visitor markets is quite different from traditional markets. Not only have Hong Kong's markets changed, but the economic operational environment is becoming increasingly difficult as a result of the change in sovereignty in 1997, increasing land prices, and new regulations. The current structure of the hotel industry is out of balance with the demands of these new markets. Hong Kong now needs to consider some intervention in the hotel industry to further encourage the development of properties in this mid-market.

Sitting at the crossroad of Asia, the British Crown Colony of Hong Kong occupies not only a unique geographical position, but also a unique geo-political position. Hong Kong has been administered as a British territory since 1841, but following the 1984 Sino-British agreement, the territory's sovereignty will be returned to the People's Republic of China (PRC) on July 1, 1997, to be administered as a Special Administration Region (SAR) within China. Throughout the 1980s, the territory's economy has flourished, growing at an annual average rate of 7.1 percent. Its average per capita gross domestic product (GDP) already exceeds that of many Western countries.

Tourism is currently the second largest earner of foreign currency for the territory, generating some US$6.2 billion in receipts in 1992, which represents 6.5 percent of Hong Kong's gross domestic product. The industry has seen virtually continuously healthy growth, and visitor arrivals to Hong Kong have increased by a 154 percent over the last decade, rising from a base of 2.75 million in 1983 to 6.9 million by 1992. Furthermore, total tourism revenue has increased by 328 percent over the same period, from US$1.45 billion to US$6.2 billion.

However, given the rapid growth of Asian economies and the increase of intra-regional tourism, the arrival patterns of tourists to Hong Kong have changed. Given the current economic, structural, and
Economic Growth Indicator of Major Asian Countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
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<td>5.0</td>
<td>5.8</td>
<td>5.0</td>
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<tr>
<td>China</td>
<td>7.0</td>
<td>12.8</td>
<td>11.5</td>
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<tr>
<td>Taiwan</td>
<td>7.2</td>
<td>6.1</td>
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<td>7.5</td>
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<tr>
<td>South Korea</td>
<td>8.4</td>
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</tr>
<tr>
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<td>5.6</td>
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</tr>
<tr>
<td>Thailand</td>
<td>8.2</td>
<td>6.8</td>
<td>8.0</td>
<td>8.5</td>
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<tr>
<td>Malaysia</td>
<td>8.6</td>
<td>7.9</td>
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<td>7.5</td>
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<td>Indonesia</td>
<td>6.6</td>
<td>5.5</td>
<td>6.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Philippines</td>
<td>-1.0</td>
<td>0.6</td>
<td>3.0</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: Hongkong and Shanghai Bank, 1993

political issues that are presently endemic to the territory, the hotel industry, and, in turn, the wider tourism industry, is being presented with new challenges as it looks to its current and future developments.

Economic Growth in Asia Accelerates

For the last two decades, economic performance in Asia-Pacific has been outstanding. The region contains many newly-industrialized countries (NICs) such as Singapore, Taiwan, South Korea, and Hong Kong, as well as the rapidly industrializing countries of China, Thailand, Malaysia, and Indonesia. As German Foreign Minister Klaus Kinkel pointed out, "In 1960, Asia accounted for 4 percent of world production. Today it accounts for 25 percent and in 10 years it could be a third." Currently it is forecast that economic growth among these major countries will average more than 7 percent in 1993 and 1994 (see Exhibit 1).

The major contributor to such a strong economic performance by these Asian economies has been the development of strong dynamic export-oriented economies. However, in order to maintain a positive balance of payments, many Asian countries had been deliberately restraining outbound tourism flows with visa and currency restrictions. As these restrictions have been lifted, the region's emerging middle class is increasingly using discretionary time and disposable income on overseas travel.

Traditionally the tourism industry in Asia has been focused on attracting the inter-regional long-haul international markets originating from Europe, North America, and Australasia. While these markets have continued to grow, the main reason for the growth of tourism
Exhibit 2
Comparison of Visitor Arrivals by Origin

<table>
<thead>
<tr>
<th>Generating Country/Region</th>
<th>% of arrivals by year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1981</td>
</tr>
<tr>
<td>Asia*</td>
<td>47.6</td>
</tr>
<tr>
<td>North America</td>
<td>17.3</td>
</tr>
<tr>
<td>Western Europe</td>
<td>16.2</td>
</tr>
<tr>
<td>Australasia</td>
<td>9.1</td>
</tr>
<tr>
<td>Other</td>
<td>9.9</td>
</tr>
</tbody>
</table>

*Includes Malaysia, Singapore, Indonesia, Philippines, Thailand, Japan, Taiwan and China.

Source: HKTA, Arrival Statistic, 1993

In the region over the last 25 years is the increasingly larger numbers of intra-regional tourists. In 1967, 56 percent of all international tourists arriving at destinations within the region were inter-regional, and 44 percent intra-regional. During the mid-1970s these percentages were reversed. By 1992, intra-regional arrivals accounted for almost 73 percent of total tourist arrivals. This figure is expected to reach 85 percent by the year 2000, which is consistent with the intra-regional travel patterns within Europe and North America.

As with the rest of the region, much of the increase in tourist arrivals in Hong Kong has come as a result of the growth of intra-regional tourism. Between 1981 and 1993, Asian tourist arrivals rose from 47.6 percent of arrivals, to 70 percent. (see Exhibit 2).

Tourism arrivals in Hong Kong have also been particularly influenced by the 1987 decision of the government of the Republic of China (Taiwan-ROC) to let citizens visit their relatives in the Peoples Republic of China (PRC), providing they transit through a third country. The Republic of China was set up in 1949 on the island of Taiwan, following the fall of the nationalist government under the leadership of Chiang Kai-shek to the Communist-led forces under Mao Zedong. Since that time, direct links between Taiwan (ROC) and China (PRC) have been banned. The geographical location of Hong Kong and its excellent connections to many parts of China have resulted in a recent explosion of Taiwanese arrivals. From a base of only 135,600 arrivals in 1981, this market has grown to over 600,000 within a decade. In 1981, Taiwanese visitors accounted for just 5.3 percent of visitors to Hong Kong, yet by 1990 they accounted for 21.3 percent of all visitor arrivals.
The other important market for Asian visitors is Japan. Currently, Japanese visitors represent a further 22 percent of all Hong Kong arrivals, making a substantial percentage of Hong Kong tourism industry highly dependent on just two markets. As Miguel Ko, senior vice-president and operations director for Sheraton Asia Pacific, pointed out, “This 43 percent share for just two Asian Countries is staggering...But we have to look at the immediate threat of losing some of these main sources of business, especially with the Taiwanese...There is no question it will only be a matter of time for an air link to be established between Taipei and south China, thus exposing Hong Kong to a sudden drop in Taiwanese arrivals.”

Recent Developments Exhibit Growth

With tourist arrivals rapidly growing throughout the 1980s, the hotel industry enjoyed a period of extremely high occupancy rates, averaging some 84.2 percent, which was substantially above the world's average of 66 percent. Local property and hotel investors actively invested in opening new hotels to capture the increasing number of visitor arrivals. Between 1983 and 1992, the number of hotel rooms available in Hong Kong grew by 90 percent (see Exhibit 3).

However, both the June 4, 1989, incident in Beijing and the 1991 Gulf War greatly discouraged long and even short-haul international visitor arrivals to Hong Kong. Compounded with the problems of a recession in Hong Kong's traditional long-haul generating markets, tourism arrivals slowed to an increase of 1.7 percent in 1991. As a result of the recession, tourists have either limited their budgets, found alternative cheaper destinations, or cancelled their plans. This downward pressure on prices and the number of new hotel rooms entering the market meant that in 1991 the Hong Kong hotel industry suffered its lowest average occupancy rate for the decade (see Exhibit 3). It also experienced a 7.9 percent decline in average daily room rates from 1990 levels. In 1992, Felix Bieger, chairman of the Hong Kong Hotels Association (HKHA), noted that the biggest problem was the overbuilding of hotels leading to drastically reduced room rates.

Hong Kong Market Rebounds

With the re-opening of China to the world after the June 4, 1989, crackdown, and a rebound in the growth of tourism, Hong Kong has been able to resume its role as China's gateway. Recently it has been enjoying a rebound of occupancy. Average hotel occupancy grew from 75 percent in 1991 to 82 percent in 1992. Nevertheless, rates did not follow and declined a further 9 to 12 percent from 1991 levels. In late 1992, the Federation of Hotel Owners was so concerned about the downward trend in room rates that it was suggested that a cartel be formed (which is legal in Hong Kong) to adopt a pricing structure for each category of hotels. However, Beiger pointed out that the federation was overreacting since this was the first time that it had to grapple with room oversupply and low room rates. “I am all for a sensible
price structure, but it won’t work in Hong Kong where free enterprise is known to exist,” he commented.15

The Hong Kong hotel industry has been traditionally focused on the high spending, long-haul market. The territory’s hotel industry is known for its excellent service standards; hotels such as the Mandarin Oriental, Peninsula, the Regent, and Grand Hyatt have been the recipients of numerous international service awards.16 However, the development of the hotel industry in Hong Kong has been heavily biased toward the luxury market. In 1992, 68.8 percent of all hotel rooms (registered with the HKTA) were classified as either High Tariff A or High Tariff B, falling into the four and five star categories. In comparison with other major cities, this can be considered extremely high.

These upmarket hotel properties have traditionally targeted visitors from the established long haul generating markets of Europe, North America, and Australasia. These visitors typically spend around 40 percent of their total expenditure on accommodations. On the other hand, the increasing number of visitors from the growing Asian markets tend to spend considerably less, averaging about 23 percent of total expenditures (see Exhibit 5).

As can be seen in Exhibit 5, the new Asian visitors have spending patterns that are skewed more to shopping than hotel accommodations. While such patterns of expenditure must also be tempered by

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**Exhibit 3**

Growth of the Hong Kong Hotel Industry, 1983-1995

<table>
<thead>
<tr>
<th>Year</th>
<th>Hotels</th>
<th>Rooms Available</th>
<th>% Increase of Rooms Available</th>
<th>Occupancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>48</td>
<td>17,570</td>
<td>—</td>
<td>83</td>
</tr>
<tr>
<td>1984</td>
<td>50</td>
<td>18,031</td>
<td>2.6</td>
<td>89</td>
</tr>
<tr>
<td>1985</td>
<td>51</td>
<td>18,180</td>
<td>0.8</td>
<td>88</td>
</tr>
<tr>
<td>1986</td>
<td>57</td>
<td>20,230</td>
<td>11.3</td>
<td>85</td>
</tr>
<tr>
<td>1987</td>
<td>56</td>
<td>21,022</td>
<td>3.9</td>
<td>90</td>
</tr>
<tr>
<td>1988</td>
<td>65</td>
<td>22,682</td>
<td>8.8</td>
<td>92</td>
</tr>
<tr>
<td>1989</td>
<td>69</td>
<td>27,031</td>
<td>18.1</td>
<td>79</td>
</tr>
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<td>1990</td>
<td>75</td>
<td>28,146</td>
<td>4.1</td>
<td>79</td>
</tr>
<tr>
<td>1991</td>
<td>82</td>
<td>31,163</td>
<td>10.7</td>
<td>75</td>
</tr>
<tr>
<td>1992</td>
<td>86</td>
<td>33,534</td>
<td>7.6</td>
<td>82</td>
</tr>
<tr>
<td>1993</td>
<td>89</td>
<td>33,151</td>
<td>-0.1</td>
<td>87</td>
</tr>
<tr>
<td>1994</td>
<td>87</td>
<td>33,259*</td>
<td>0.1*</td>
<td>—</td>
</tr>
<tr>
<td>1995</td>
<td>89</td>
<td>33,795*</td>
<td>0.1*</td>
<td>—</td>
</tr>
</tbody>
</table>

*Forecast

Source: HKTA (HK Supply Situation No.4, 1993).
Exhibit 4
Existing Hotels and Rooms by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Hotels</th>
<th>Total Rooms</th>
<th>Rooms &amp;</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Tariff A</td>
<td>17</td>
<td>9,877</td>
<td>29.5</td>
</tr>
<tr>
<td>High Tariff B</td>
<td>26</td>
<td>13,172</td>
<td>39.3</td>
</tr>
<tr>
<td>Medium Tariff</td>
<td>33</td>
<td>9,128</td>
<td>27.2</td>
</tr>
<tr>
<td>Hostels/guest houses</td>
<td>10</td>
<td>1,357</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>86</td>
<td><strong>33,534</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: HKTA, 1993

It is interesting to note that the total average combined per capita spending of the Japanese, Southeast Asian, and Taiwanese markets is now higher than that of the combined average of the traditional long-haul markets of Europe, North America, and Australasia, US$930 versus US$784.

Land, Property, and Development Issues Abound

It is generally recognized that land space in Hong Kong is extremely limited, and the territory has one of the world’s highest population densities of some 1,989 people per square kilometer. However, available new sites are predominately government owned, whether they are unused land or re-claimed land sites. Land is released to the open market by the government at periodic land auctions. The slow “drip-feed” affect of new sites onto the property market has kept prices high and stable. It has also allowed the government to maximize the price it receives for the cost of the land.

Almost all of the hotel groups based in Hong Kong are actually units of large property groups or have substantial property interests in the territory. For example, Omni hotels is owned by Wharf, a property group within Wheelock (Pacific). Mandarin Oriental Hotels is owned by the Swire Group, another major land owner and owner of Cathay Pacific airlines. Regal Hotels International is owned by Century City, whose property arm is Paliburg Holdings. Even companies that look like they are unassociated with property companies often have links. For example, the Hilton Hotel in Hong Kong is owned by Cavendish, part of Hutchinson Whampoa, which in turn is owned by Cheung Kong. This is a property conglomerate owned by Li Ka-Shing, one of the top 10 richest men in the world.

Many of these groups have looked at hotel developments within the context of office and shopping developments in Hong Kong. For example, the Swire Group developed Pacific Place, a prestigious shopping
and office complex in the central part of Hong Kong. The hotels within the complex were chosen to not only complement the other developments, but also draw in other tenants. The three hotel contracts in the complex were given to Shangri-La, Marriott, and the Conrad. In such developments, the hotel is often viewed as the “anchor” tenant, just as large department stores are in shopping malls.

Thus much of the current premier hotel development in Hong Kong must be viewed within the context of property developments, recognizing the various tax, depreciation charges, and other financial issues that impact decision making.

**Hotel Room Supply Has Stabilized**

The change in the composition of visitor arrivals has already resulted in the stabilization of the hotel room supply in the High Tariff A and B categories, as can be seen in Exhibit 6. However, the Medium Tariff hotels have grown from representing just 14 percent of available hotel rooms in 1989 to 27 percent by 1992. Furthermore, these properties, which cater mainly to Asian tourists, recorded 90 percent plus average occupancy during this period.

The fact that Asian visitors have created such a great demand for medium category hotels in a relatively short period of time means that a shortage of middle to low-end type of rooms will appear. However, five of the older hotels in the Medium Tariff band, the China Harbour View, the Lee Gardens, the Ambassador, the China Merchants and the Fortuna, have recently announced closure. Hotels in the luxury High Tariff A sector may also become more susceptible. With the over-capacity in the luxury end of the market, the newly built 250-suite Ritz-Carlton hotel was nearly never opened. The original Japanese property owners went bankrupt in 1992, and some of the prospective buyers...
of the site were reportedly considering demolishing the new hotel before it even opened. In the end, suitable re-financing of the site was obtained, and its current owners finally decided to open the property in August 1993. At the beginning of 1994 it appeared that several other property owners were considering the closure and re-building of their properties, including the Hilton, Sheraton, and Miramar.

Given world economic conditions facing the hotel industry, Hong Kong still looks to be in a relatively good position. Visitor arrivals are still growing and occupancy rates are high. However, four factors can be identified as conspiring against the current stability and future development of the industry. First, the controlled shortage of available development land coupled with a booming economy has seen rising land prices throughout the late 1980s and early 1990s. Many property owners feel that a conversion to commercial office space will yield them a faster return on investments. According to a recent study by Richard Ellis, Hong Kong prime office rental rates are running at an average of US$8 per square foot per month, now the third highest in the world after Tokyo and the West End of London. Furthermore, development costs of offices can be recouped in approximately four years, substantially less than a hotel property.

Second, the Hotel and Guest House Accommodation Ordinance, Chapter 349 on Fire and Safety, was passed in early 1990s. This has meant that the owners of many of the older medium tariff hotels will have to undertake expensive re-fitting of properties in order to retain hotel operating licenses. With the expectation of declining room rates in the short term, such expensive re-fitting on older properties does not make current economic sense, particularly when the income potential of the re-development of the site is considered.

Third, the politically sensitive date of 1997 is on the horizon. Any complications with the political transition of power could cause severe
short-term volatility of tourist arrivals and effect profitability levels. The recent memories of the impacts on the Hong Kong tourism industry after the Tianamen Square incident are still vivid. Commercial office space, by contrast, tends to be let on a long-term contractual lease basis, giving it some immunity to severe short-term fluctuations.

Fourth, Hong Kong's current airport, Kai Tak, is already operating close to maximum capacity. The new airport development at Chep Lap Kok is not due to open until 1997, pending a funding agreement between British and Chinese governments. It is therefore unlikely that, in the immediate future, international tourist arrivals will be able to continue to grow at the same pace as they have done in the past.

The combination of these factors has sought to limit the future development of the hotel industry in Hong Kong. Medium Tariff hotels are expected to be in a better financial position than High Tariff A and B hotels since they will have higher room demand, occupancy levels, and lower fixed charges. Consequently, the few future additions to the room supply are anticipated to be at the lower end of the market.

Pessimism is not entirely clouding the sector, particularly for owners and investors in a good market position. As one stock market analyst pointed out, "Although the short term outlook for hotels is at best mixed, with Japanese and Europeans arrivals stagnant, the medium term is looking rosy. Hotels are hot property. If they are not being taken over they are being knocked down, but what they are definitely not doing is being built." For those in a good position in the market, there are reasons to be hopeful for the future. One current prediction is that room rates will increase by up to 50 percent over the next two years, with occupancy reaching back up to the 90 percent mark.

One other area of growth has been in the number of tourist arrivals from China. Within the first six months of 1993 they represented 19.6 percent of total arrivals. Since they mostly come in by land, it is expected that they will continue to increase as China's economy grows. The majority of these visitors are not able to afford either Hong Kong's Medium Tariff and High Tariff Hotel prices. While this market is creating demand for hotel space, it is at the bottom end of the market. In order to capture this market segment, some of the residential units in the "secondary" locations around the territory have been purchased by private enterprises from China and converted into serviced apartments.

All Hotels Benefit

Since 1989, the High Tariff A and B hotel owners and operators have benefitted from a "knock-up" effect of the growing number of visitors from Asia. While many Asians do not actually spend money on upmarket hotels, they have been filling up the Medium Tariff hotels. This has had the effect of leaving long-haul travellers with fewer choices, and having to stay in upper end properties.

In the short term this may be good for those hotels, but in the long term, problems for Hong Kong as a destination may emerge.

Fall 1994
The limited supply of mid-price accommodations is making Hong Kong appear to be an increasingly expensive destination. With more airline hubs being developed around the region, there is a growing number of alternative Asian destinations to choose from such as Bangkok and Singapore. With long-haul tourists and tour operators increasingly proving to be price conscious, this shortage will probably have the effect of further discouraging long-haul traffic.20

One of the strategic tourism developments for Hong Kong has been an attempt to build up the number of exhibitions and conferences in the territory. However, meeting planners have had increasing problems in finding enough hotel spaces, especially during the peak autumn season. According to figures for the Trade Development Council (TDC), there were 65 exhibitions and 85 conferences in 1989. In 1993, there were 106 exhibitions and 139 conferences in the first nine months. The expansion of the Hong Kong Convention and Exhibition Center to be completed in 1995 will more than double its capacity, but hotel rooms are needed. Manuel Woo, executive director of the Hong Kong Hotels Association, responded, "While we can try and help, in the final analysis there is nothing we can really do. General managers are responsible to their landlords first and foremost."21 Thus the overall strategy to broaden the base of visitors to the territory will inevitably be hampered by the shortage and composition of the room inventory.

Other Key Issues Face the Hotel Industry

Hong Kong's booming economy has meant that the territory's unemployment rate is low, averaging only 2 percent. However, the hotel industry is suffering from rapidly increasing labor costs as well as high annual turnover rates. The average cost per employee is now US$13,136 (HK$102,458) an increase of 21.5 percent between 1990-91.22 Furthermore, the average turnover rate for the hotel sector has been running at around 65 percent. With wages and conditions in the hotel industry often being worse than those in other sectors, many employees are simply leaving the hotel sector. The high turnover and training costs are disproportionately affecting High Tariff A and High Tariff B properties which have more labor-intensive operations. As the general manager of the Mandarin Oriental, Neil Hucksteppe, recently commented, "Throwing bodies at a problem is no longer an option."23 Furthermore, hotel room rates have to increase in line with Hong Kong's inflation rate of 10 percent. Hucksteppe also pointed out, "You can't expect hotels to do 3 to 4 percent room rate increases. Otherwise we constantly get behind inflation. The problem is that inflation in Hong Kong is totally out of scale with the rest of the world running at 3 to 4 percent."24

The growth of intra-Asian tourism has resulted in Hong Kong becoming increasingly dependent on just two markets, Taiwan and Japan. The Taiwanese market is potentially precarious because of the politically uncertain environment that exists between China and
Taiwan. Nevertheless, an increase in Asian, and, particularly, Chinese tourist arrivals is occurring, and will undoubtedly continue to increase as the traditional long haul markets decrease in importance.

Second, the emerging Asian markets that Hong Kong has been attracting have different accommodation needs from the long haul markets of Europe, North America, and Australasia, which will require a continued re-structuring of the hotel industry in Hong Kong. Further growth in accommodation will need to be in the mid-price Medium Tariff category, rather than in the traditional High Tariff A and B categories.

Such a strategy would not only be consistent with market demand, but also help to restrain labor costs, which are now turning out to be one of the most critical problems facing hotel operators. Developing mid-price hotels will create less pressure in the labor market, as fewer employees are required to operate these properties. The employee to guest room ratio decreased from 1.33 in 1990 to 1.19 in 1991, partly as a result of the shift to the less labor intensive mid-price properties.

Given the politically uncertain environment, the cost of land and its development, and the current limit in the growth of tourism arrivals, it is unlikely that investors will be making further investments in the hotel industry for the near future. When they do, it may have more to do with property development than with a desire to be involved in the hotel industry. Thus, while the territory may be hoping to strategically reposition itself, the realities are that with the current structure and pricing levels of the industry, this will not be possible in the near future.

Visitors to Hong Kong want to shop or conduct business. They require a centrally located hotel, with easy accessibility to major business and sightseeing/shopping areas. Asian visitors, however, tend to be more price-conscious and do not seem to demand that their hotels be in the luxury range or in key locations. They do not expect to spend their money on the really typical tourist shopping areas, and instead many rather shop at “secondary” locations where local people go. Furthermore, the frequent mass transit system (MTR) offers quick accessibility to most of the key areas for business or shopping.

Given that future demand will be increasingly for Medium Tariff hotels, it is these properties that Hong Kong needs to build. The government through land sales and zoning procedures needs to encourage the development of these types of hotels, particularly in the “secondary” locations, which will ensure economic success. Hotel sites in such half-residential and half-commercial areas as Mong Kok, Jordon, Yaumatei, and North Point, where the MTR can be easily accessed, need to be considered.

While government intervention in industry may seem anathema to what Hong Kong stands for, it should be remembered that the concepts of “confucian capitalism,” or guiding and supportive government help, are integral to the planning and development of most of the Asian Dragon economies. In order for Hong Kong to keep its current
position and to survive through the current turbulent environment, some prudent intervention may now be necessary.

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