

HONG KONG HOTELS ASSOCIATION
(Incorporated with Limited Liability)

Disney Theme Park - A Hong Kong Hotels Association's Submission

Overview

The world tourism market is a highly competitive one, as evidenced by growing competition and the long period of suffer Hong Kong went through in 1997-1999 before some slow signs of recovery were seen which will still take years to return to its pre-1997 levels. Hong Kong is also faced with aging tourism products, which by world standards are lagging behind other major competing destinations around the region, and losing their attraction to an increasingly more sophisticated and demanding travelling public.

There is no quick solution to the tourism problems that Hong Kong faces. These problems range from our currency peg to the US\$ which makes Hong Kong more expensive in currency terms vis-a-vis our regional competitors, to tourism structural changes that need to be brought in to re-vitalize our tourism industry. In short, we suffer from a serious lack of new tourism products which allow us to compete internationally and our success in the past has hindered some of our vision and ability to respond to the changing needs of our industry and the expectations of the travelling public.

We need a completely new vision and series of tourism products to improve our international competitiveness in tourism promotions and visitor satisfaction to re-build our tourism future. The last two years of tourism downturn in Hong Kong reminded us once more of the importance of tourism to our local economy and the airline, hotel, travel agency, restaurant, retail, facility and attraction, local transportation and related service industry segments of our economic activities, not to mention the employment, career development, education and training, and prospects of existing and prospective men and women of Hong Kong, who lost many opportunities in our industry and as a result, suffered substantial set-backs in life.

In our view, the path of a tourism recovery is not fully in sight yet and we have to work our way towards a solid, dependable, long term and global blueprint of tourism development. It has to be well-coordinated, progressive and in tune with international quality standards and competence if we were to stand in the forefront of international tourism. In other words, we must look for signature names and top world leaders to take us out of the gloom and doom, otherwise, we will remain as a regional destination with tourism products of limited shelf life and product life cycle, regardless of how hard we try to put our names next to world cities of New York, London, Paris, Tokyo and Los Angeles.

Over the past two years, the tourism industry of Hong Kong has come up with numerous good ideas for reviving tourism for Hong Kong, but none of them can be expected to give the world the instant recognition of the brand name nor reason to visit Hong Kong. As we all know, many cities around the world have come up with their own brand of tourism products and created good quality attractions, only to find that they did not work to attract international visitors. International tourism marketing is a game of the professionals and only a globally accepted international brand name with proven track record can do the trick and with half the effort and producing double the results.

A Disney theme park in Hong Kong possesses almost all the ingredients for guaranteed success in re-building Hong Kong's international image and acceptability in tourism, and this comes only next to a Las Vegas type development, which carries significant social costs when a Disney theme park does not. The Disney theme park brand name has lived well for more than four decades and will complete its fifth decade when the theme park in Hong Kong opens in 2005-2007. The Disney theme park has continued to be the world's most successful and longest prospering theme park because it has the following vision and quality standards:

1. It is always well promoted internationally, not just through their theme park network but by the Disney products they produce through their other businesses. The important point to note is that the remaining 70% of Disney's businesses actually support their 30% business in theme park through increased awareness of the brand name and new product enhancement.
2. It supports the environment and its park development and maintenance are always carried out in full support of environmental concerns and standards. Disney is a responsible member of the environmental protection community and despite the fact that millions visit the theme park each year, it is always of the highest environmental standards and the most pleasant one to visit.
3. It improves with time and catches up with the latest happenings through creativity and design, market research, product innovation and future trends. With its massive resource support in all areas, Disney is the only theme park name in the world gaining that reputation and delivering the promises.
4. It commands the respect of other world leaders in entertainment and wherever Disney decides to be, it increases the potential for other international brand names to follow. Multi-attraction tour visits to other international brand names built around the Disney theme park mutually enhance the value of Disney theme park as well as other international brand names. It also offers the opportunity for good local brand names to be known and accepted internationally.

5. It creates new opportunities in tourism for the destination through peripheral product development and service standard and quality benchmarking. Disney has developed a new set of standards of excellence and the Disney culture is the ultimate dream of a tourism destination, even unmatched by such distinguished tourism destinations as Hawaii.

The Hotelier's View

The hotel industry of Hong Kong has suffered two years of setback. Although occupancy levels have improved to 80%, total yield of the industry is still some 30-40% below previous high achieved in early 1997, explained by reduced hotel guestrooms occupied, changing market mix and lower spending levels of hotel guests across the board. We do not anticipate a marked improvement in our business for some years to come and the continuing development of new hotels in the next few years will somewhat aggravate the situation to offset any positive gains in visitor numbers to Hong Kong for the same period. We nevertheless believe that the worst is over although hotel pricing will continue to be under pressure with an improvement in occupancy achieved at the expense of hotel room rates, but at levels which still produce a net improvement in yield.

The hotel industry of Hong Kong anticipates and expects all the help it can get from Government through the Commissioner for Tourism's Office and Hong Kong Tourist Association. We are grateful to Government under the leadership of the HKSAR Chief Executive and Commissioner for Tourism, for their commitment and efforts in reviving tourism and Disney is one of the key projects that will have a long-term positive effect on Hong Kong's future position as a leading tourism destination. Our position is as follows:

1. We believe that a Disney theme park in Hong Kong secures our future position as a leading tourism destination, lifts us above the ranks of our competitors around the region, gives us a unique competitive edge against our competitors, and offers us a distinct advantage when promoting ourselves around the world. It would be devastating to Hong Kong if a Disney offer came to us and was rejected. We would lose international understanding and sympathy and Hong Kong will lose once and for all the opportunity of ever becoming a family market destination. For reference, the age group of 15 and below visiting Hong Kong has always been between 5-6% for all visitors and 3-4% for China Market. Although some people may say that the numbers are low and therefore unable to justify a family market attraction such as Disney, the reverse in fact holds true because this would be our opportunity to raise that % to double digit to come more closely in line with world averages.

2. We are not financial experts in Government related infrastructure development plans and economics but we are convinced that the financial projections, especially the number of visitors to the theme park are realistic and achievable, if not somewhat under-estimated. We sincerely believe that the numbers projected for both Taiwan and South East Asian markets to be low for year 2005, when their respective economies can be expected to reach new heights by then and there are no correspondingly major family attraction developments being planned in these markets. With an expected relaxation of visitor visas from China, a good percentage of which will be in the age group of 15 and below, the projected visitor number from China visiting the Disney theme park by then can be expected to exceed 1.8 million, when total visitors from China will have exceeded 4 million in 2005 on 10% annual compounded basis. The other projection of 1.8 million for local Hong Kong residents is also very much on the low side.
3. As regards the future prospects of Disney theme park, a question which focuses on pay-back period and security of investment, we are of the view that the success of a project such as Disney theme park depends more on their quality of management which includes their ability to management product variety, design and creativity, customer satisfaction and cultural adjustments. Disney has a proven track record of success in all these areas and the benefits of peripheral business opportunities created by a Disney theme park must be taken into account for balancing the financial equation. There is no debate about the price Hong Kong has to pay up-front to bring the Disney brand name into Hong Kong but the long term benefits of a Disney theme park in Hong Kong and the related revenue arising from its presence in Hong Kong, which can add substantially to the financial equation, cannot be measured in exact terms and would always be under-estimated.

Our Conclusion

While there is financial risk in every business venture, the risk of not doing a business venture can often be much greater than if we went ahead to do one. Disney is not just a business venture. It is a person's vision and dream that has come true and history has proven that it has remained the only one in the world of its own class and popularity.

The success story of Disney is an obvious one and everyone knows why it happened but it is not something that everyone could do because not everyone has the same commitment and ability to make it happen. Both Disney brothers died with their theme parks being developed. It is above many and it cannot be visualized simply on a piece of paper and using the same measurement yardsticks financially as well as commercially.

Disney has proved to be popular with all ages, nationalities, races and educational and cultural backgrounds because it speaks a common language of fun, creativity and happiness. With a mixed culture that we see in Asia and the heavy bias in favour of the American culture as evidenced in food preferences, even in China, the project can be expected to succeed enormously and what is most important of all is our ability to tell the world that we are in the league of Paris, Los Angeles and Tokyo, where even signage is in Japanese. It is our opportunity to welcome the world in the true Disney language and of course Chinese as well, and Anaheim has told us that Disney is always flexible when they introduced Spanish as one of the languages of the theme park.

Finally, it is time for us to think big against our competition and create a genuine edge against our competitors to maintain Hong Kong's leading position as Asia's No. 1 tourism destination into the next century at comfortable margins. It is nice to hear from our colleagues around the region congratulating us for bringing Disney to Hong Kong. While the debate at this stage is obviously desirable, we sincerely look forward to a favourable outcome to give us the much needed boost in enabling ourselves to promote Hong Kong more successfully around the world.

Hong Kong Hotels Association

9th November, 1999