



Consultancy Study on the Development of New Tourism Infrastructure - Spa and Resort Facilities



SUMMARY REPORT



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in association with

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CONTENT

1.	INTRODUCTION	2
1.1	STUDY BACKGROUND	2
1.2	UNDERSTANDING OF STUDY OBJECTIVES	2
1.3	STUDY REPORTS	3
2.	MARKET RESEARCH	4
2.1	TOURISM INDUSTRY PERSPECTIVES: TRENDS IN RESORT DEVELOPMENT	4
2.2	RESORT HOTELS: INTERNATIONAL CASE STUDIES	6
2.3	DESIGN CRITERIA	9
2.4	HONG KONG VISITOR PROFILES – RECENT TREND	9
2.5	RESEARCH ON SUPPLY AND DEMAND	10
2.6	VIEWS FROM INDUSTRY	11
2.7	RESEARCH ON MARKET REQUIREMENTS	11
2.8	DEFICIT AND SHORTFALLS	11
2.9	LESSONS FOR HONG KONG	12
2.10	MARKET OVERVIEW	13
3.	DEVELOPING SPA AND RESORTS IN HONG KONG	15
3.1	CRITERIA FOR DEVELOPMENT SITES	15
3.2	DEVELOPMENT MODEL	15
4.	CASE STUDIES	17
4.1	IDENTIFICATION OF SUITABLE CASES	17
4.2	CASE STUDY 1: FORMER HIGH ISLAND DETENTION CENTRE, SAI KUNG	18
4.3	CASE STUDY 2: CHEUNG SHA BEACH, SOUTH LANTAU	19
4.4	CASE STUDY 3: TAI A CHAU, SOKO ISLANDS	20
4.5	SUMMARY OF THE THREE CASE STUDY SITES	21
4.6	IMPLEMENTATION MECHANISM	23
5.	PUBLIC CONSULTATION	25
5.1	INTRODUCTION	25
5.2	SUMMARY OF COMMENTS	25
6.	CONCLUSION AND WAY FORWARD	31

1. INTRODUCTION

1.1 Study Background

1.1.1 There is an increasing worldwide trend for individuals who are planning their vacations to include spa and resort elements in their holiday itineraries. As a prominent tourist destination, it is important for Hong Kong to look into the potential, cost and benefits and identify major issues of developing world class spa and resort facilities in Hong Kong, in the strategic context of further enhancing the position of Hong Kong as a tourist centre.

1.1.2 The strategy of developing spa and resort facilities in Hong Kong has specifically considered the following:

- Whilst developing Hong Kong into a major spa and resort centre in the South East Asia would not be tenable, the selective development of world class spa and resort facilities can help to broaden the range of tourism products available within Hong Kong. World class spa and resort facilities are particularly attractive to the high end tourism market. These would include business visitors who may wish to take a side trip to stay in spa and resort facilities after business conferences, or bring along their family members during their business trips. This is in line with Hong Kong's strategy to further develop its high yield business visitors' market, as well as the family market.
- There is also potential for development of green tourism in Hong Kong by looking into the ways of making sustainable use of the natural resources, e.g. opening up the countryside and other scenic locations, using a combination of information, access, signage and minor works programmes, where necessary. The sensitive and selective introduction of resort developments could assist in realizing this potential.

1.1.3 Taking into account these considerations, the Tourism Commission of the Government of Hong Kong Special Administrative Region (SAR) commissioned a study to identify the potential of developing world class spa and resort facilities in Hong Kong.

1.2 Understanding of Study Objectives

1.2.1 In July 2004, the Government commissioned Urbis Limited (with supporting consultants) to conduct a study to explore the demand for spa and resorts and how such facilities might be developed.

1.2.2 The strategic objectives were:

- To broaden the range of tourism facilities, catering to the high-end sector of the market with a type of facility that can lengthen visitor stay and enhance the tourism experience.
- To optimise the potential advantages of existing resources in enhancing Hong Kong's image and reputation as a tourist destination.
- To contribute to a long-term tourism development of Hong Kong, for it to offer a wide variety of world class tourist facilities, attractions and experiences.

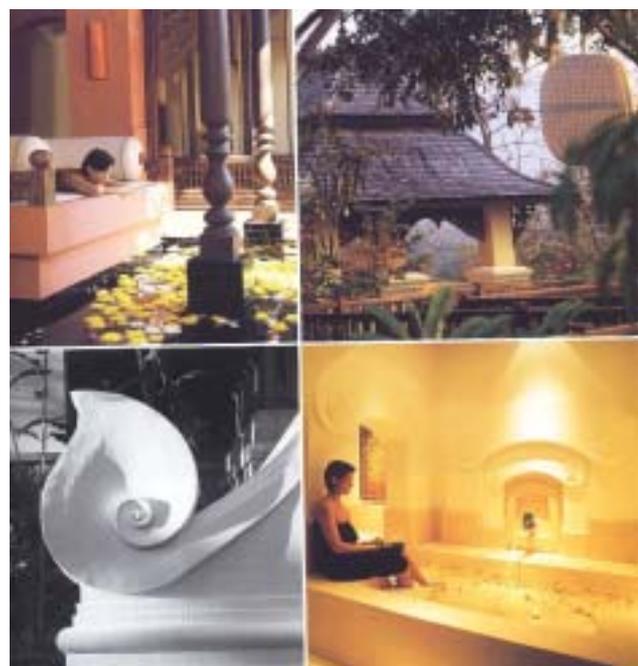
1.2.3 Specific objectives were:

- To carefully examine the potential and demand for spa and related resort and recreation facilities, appropriate to Hong Kong's particular tourism, development and climatic context.
- To undertake market research and reviews to ascertain the most appropriate type of facilities based on likely demand requirements to establish the viability of facilities.

- To establish as far as possible market requirements for spa and resort facilities, appropriate to Hong Kong.
- To identify sites as case studies for the assessment of major considerations for developing spa and resort in Hong Kong.
- To create schematic layouts and carry out preliminary technical, economic and financial assessments of the case studies in order to demonstrate the market potential, possible issues to be involved, overall viability and potential benefits.

1.3 Study Reports

- 1.3.1 The study is divided into two principle parts. The first part consists of market research. Market research included interviews with trade representatives and case studies on other resort destinations and reviewed the market potential and requirements of developing spa and resort facilities in Hong Kong. The current local situation and spa and resort development trends in Hong Kong have also been examined. The assessment and findings have been set out in the Market Research Report (**Annex A**).
- 1.3.2 The second part of the study addressed case studies. To further demonstrate the potential for developing spa and resort facilities in Hong Kong, case studies were conducted at specific locations. The case studies covered the potential, constraints, infrastructure, environmental issues, possible components and the financial viability for developing spa and resort facilities at these locations. The detailed assessments are set out in the Case Studies Report (**Annex B**).
- 1.3.3 In recognizing the need to seek public views and the view of key stakeholders, a public workshop was commissioned. The Workshop Report has been uploaded to the Tourism Commission's website.
- 1.3.4 This report is a summary of the major findings which based on more detailed assessment and analysis contained in previous reports. Conclusions have been drawn with regard to the study assessment results and public comment.



2. MARKET RESEARCH

2.1 Tourism Industry Perspectives: Trends in Resort Development

- 2.1.1 Rapid economic growth within Asia has stimulated business travel and increased domestic and intra-regional travel on an unprecedented scale. This has in turn enabled the development and growth of resorts.
- 2.1.2 There is no universally agreed definition for 'resorts'. Resorts can generally be categorised as a 'Destination Resort' or a 'Resort Hotel' in a resort. A 'Destination Resort' is a town/community/locality which comprises of an established cluster of tourism-related, historical, cultural, recreational and leisure activities, within which there are hotel(s). A resort hotel is usually a self-contained development with facilities and amenities (eg. golf, spa, etc.) on site or close by, enabling guests to enjoy a break without leaving the premises. There is also a range from low end to high end type resorts. High end resorts are those exclusive resorts such as Aman, Banyan Tree, etc.
- 2.1.3 There have been two key trends in types of resort hotel development: one towards the establishment of mega-resorts (those with 300+ rooms with villas, beach bungalows, golf real estate, etc.) that offer integrated facilities, and a second towards the development of smaller, specialised resorts (such as spa resorts) centred around a unique location, recreational activities or cultural activities and catering to a more sophisticated traveller. While mega-resort developments are still popular, there is increasing demand for smaller niche products, such as, all-inclusive resorts (fixed price for access to all facilities) with an emphasis on health and wellness (i.e. spas), and environmentally sensitive resorts offering eco-tours and access to nearby major natural features.
- 2.1.4 Natural amenities such as views, water and air quality, topography, proximity and sensitivity to nature, and growing health and wellness consciousness will increasingly become important factors in the selection of a resort.
- 2.1.5 Key fundamentals are market identification or segmentation, and product definition. Segment size, buyer wealth and buyer mind-set are most important variables. Resort visitors do not just want a luxury product, they want communities that cater for different age groups and genders, promote healthy lifestyles, provide gathering places that foster good relationships among neighbours, and offer resort experiences with an environmentally friendly component, with opportunities for exposure to the arts and education. This market segment wants to be educated in local history, culture, traditions and the environment. The industry has coined the term "edutainment" to describe this market.
- 2.1.6 Access, security (or privacy) and health issues are becoming increasingly important. There is a market trend towards open space and nature preservation areas, outdoor activities and recreational facilities, and opportunity to become part of a "community" is likely to become increasingly important in the future.
- 2.1.7 This trend is also reflected in a move away from hard infrastructure (eg. mega-hotels) to soft infrastructure like educational opportunities and gathering places to help promote a sense of community. If golf facilities are to be provided, the experience has to be unique and be part of a resort package that is coupled with other amenities and experiences.
- 2.1.8 The market has shifted to natural open areas and passive recreation, but with a high quality design. The formula for success is to provide recreation, plus sports, plus arts, plus culture. A large segment of the affluent market is seeking "life experience" but in the context of "safe adventures".
- 2.1.9 Multi-use resorts are recognised by resort developers and operators as offering opportunities and efficiencies due to the combined facilities. Resort developments with

simple-fee or timeshare products are generally able to offer a greater variety of recreational and retail facilities. Convention and meeting facilities, and a wide range of food and beverage outlets can also be included to advantage.

- 2.1.10 It has been suggested by some industry commentators that resort development budgets will increasingly allocate smaller amounts to guest accommodation and a larger share to facilities and programmes, as guests become more principle-conscious and less status-oriented. On the other hand, some hotels are providing larger units sizes, making units more marketable for corporate use and the international market, which typically travels with a larger family. Thus one sees the development of more three bedroom units, with a likely increase in demand for four bedroom units as well.
- 2.1.11 At the same time, consumers are becoming increasingly sophisticated and are demanding higher quality resorts with a wider range of amenities and facilities. There is a related trend towards the marriage of five-star hotels with resort communities, with hotel operators increasingly becoming community developers in order to leverage their brands and to capture development profits from sales.
- 2.1.12 There has been a noted shift towards resort developments increasingly affiliating themselves to hotel chains. The need to increase market presence to attract year-round business has induced many resorts to associate with a recognised hotel company that offers the advantages of world-wide reservation systems and sophisticated marketing networks. There are additional benefits in doing this if the resort is entering the timeshare market as large established hotel chains bring with them a credibility and reputable image.
- 2.1.13 Financing of resorts is becoming more creative as governments and developers attempt to maximise on the opportunities presented by economic growth. Many of the mega-resorts are financed through joint ventures in which government and developers co-operate on the development of tourist infrastructure. In addition, most four- to five-star resort hotels today include fractional ownerships as a means to help finance the hotel development. Hotel operators are also using the profitability of sales of fractional ownership interests and hotel services to counter the seasonality inherent in resort operations.
- 2.1.14 The pressure applied by anti-sprawl and environmental movements to limit development densities will tend to have the effect of inhibiting the supply of land for resort development and driving up the costs. A major challenge for resort developers lies in the identification of and ensuring that environmental problems are addressed.
- 2.1.15 The resort/recreational industry faces a number of challenges over the next decade. These include the development of a diversity of amenities and experiences, the integration of product and service, increasingly difficult development conditions, and the incorporation of rapidly developing technology into marketing efforts and products.



2.2 Resort Hotels: International Case Studies

2.2.1 Six international case studies have been examined to develop design criteria for spa and resort development in Hong Kong. These include the Palm Island Golf Resort in Guangzhou (China), the Hyatt Regency Hotel in Macau, the Sentosa Hotel in Singapore, the Jebel Ali Golf and Spa Resort in Dubai, the Kulm Hotel St. Moritz in Switzerland, and the Windsor Toya Resort and Spa in Hokkaido, Japan. The examples have been selected as they have a similar city setting as Hong Kong (eg. Macau, Singapore, Guangzhou) or are well known for high quality medical and beauty treatments (eg. Swiss example).

2.2.2 The key characteristics of these six developments are summarized in the following tables:

General Characteristics

Resort / Hotel and Date Est.	Location / Area	Property Developer	Total No. Rooms / Storeys	Room Types / Area	Room Price Range (US\$)
Palm Island Resort, China 1999	Situated in Hui Yang District within the Eastern portion of the Guang Dong Province.	New World (China) Group and Golden Resources Development International Ltd.	20 Hotel Rooms 10 Serviced Apartments	<ul style="list-style-type: none"> Waterfront Hotel Rooms Luxury Suites Honeymoon Suite Service Apartments Palm Villa Rooms Deluxe Villa Room (80 m²) Superior Villa Room (80 m²) 	\$299-779
Hyatt Regency Macau 1983	Adjacent to Taipa Bridge on Taipa Island, Macau. 3 Acres	Hyatt International Hotels and Resorts	326 Rooms 11 Floors	<ul style="list-style-type: none"> Junior Suites Executive Suites Deluxe Suites Presidential Suite 	\$128-728
Sentosa Resort and Spa, Singapore 1990	Situated on the coast of Sentosa, overlooking the South China Sea. 27 Acres	HKR International Ltd	214 Rooms 5 Floors	<ul style="list-style-type: none"> Junior Suites Deluxe Room Executive Suite Deluxe Suite Garden Villa 	\$151-874
Jebel Ali Golf Resort and Spa, Dubai 1981 (renovated in 2000)	Situated along 800m of the Arabian Gulf Coastline. 128 Acres	Jebel Ali International Hotels	392 Rooms 5 Floors	<ul style="list-style-type: none"> Junior Suite Family Suite Superior Golf View Room Palm Tree Court Suite Presidential Suite Royal Jasmine Suite 	\$144-1,633
Kulm Hotel, Switzerland 1856 (renovated in 1997)	Located in St.Moritz at a vantage point overlooking the lake and mountains of Engadine.	Originally the brainchild of the Badrutt Family, now owned by shareholders led by the Greek Shipping Magnate Family, Niarchos	180 Rooms 4 Floors	<ul style="list-style-type: none"> Standard Room Superior Room Superior Suite Deluxe Suite 	\$374-1,634
Windsor Toya Resort and Spa, Japan Renovated in 2003	Located within a dramatic landscape region of Hokkaido overlooking the famous Lake Toya.	Windsor Hotels International	405 Rooms 11 Floors	<ul style="list-style-type: none"> Junior Suites Japanese Style Rooms Corner Suites (80m²) Ambassador Suites (91m²) Japanese Style and Japanese Western Style Suites (120m²) Windsor Suites (106m²) Royal Suites (120m²) Presidential Suites (136m²) Standard and Superior Room 	\$201-807

Supporting Facilities

Resort / Hotel and Date Est.	Spa Facilities	Golf Course	Conference Facilities	Support Facilities	Transportation	Attractions
Palm Island Resort, China 1999	The spa programme is inspired by Dr. Claude Chauchard. Treatments include: <ul style="list-style-type: none"> • Consultation / Body Check • Skin Rejuvenation • Slimming • Beauty Spa Treatments • Stress Management 	A 27 hole golf court with 3x9-hole courses offering a range of challenges, designed by Jack Nicklaus Jr.	A function room is provided to cater for both corporate and personal entertainment events with a capacity of up to 200 people. Facilities also include state of the art equipment and a library.	<ul style="list-style-type: none"> • 2 restaurants • Basketball / Tennis Courts • 2 Swimming Pools (indoor and outdoor) • 2 Club Houses • Astronomy Tower • Paintball • Wargames • 24hr Convenience Store • Activities for children including; pottery, candle making, and cooking.) 	The Resort is: <ul style="list-style-type: none"> • 40 minutes from the Hong Kong / Shenzhen border. • Approximately 2 hours and 10 minutes from Queen's Pier in Central, HK. The Palm Island resort provides a shuttle bus to and from Palm Island. A 6 seater van is also available on request.	The Resort is self-contained and does not encourage external excursions.
Hyatt Regency Macau 1983	<ul style="list-style-type: none"> • A male and female spa / sauna • A whirlpool • A steambath • A cold plunge bath • A solarium • A variety of massages available 	Golf Tee-off can be arranged at nearby 18-hole golf course	<ul style="list-style-type: none"> • Macau Ballroom (whole) 349m² • Macau ballroom (one section) 115m² • Macau Ballroom (two sections) 234m² • Ballroom Foyer 406m² • Guia Room 72m² • Taipa Room 50m² • Coloane Room 36m² • Estorial Room (there are 7) 28m² • Drawing Room 136m² 	<ul style="list-style-type: none"> • Hair salon • Regency Club • Fitness Centre • Aerobic Studio • 2 Squash Courts • 4 Tennis Courts • 1 Multipurpose Court • Camp Hyatt • Swimming Pool 	The Hotel is: <ul style="list-style-type: none"> • 10 minutes by car to the central business district and Macau Ferry Terminal • 5 minutes to the Macau Airport • 55 minutes by jetfoil to Hong Kong • 20 minutes by car to the Zhuhai border. 	Self contained facilities and other attractions including: <ul style="list-style-type: none"> • Casino • Coloane Square • Flea Markets • Horse / Dog Racing • Macau Harbour Cruises • Guia Lighthouse • Museums, Temples, Churches • St.Pauls Ruins • Taipa Village & Food Street
Sentosa Resort and Spa, Singapore 1990	Spa Botanica Offers: <ul style="list-style-type: none"> • 14 indoor treatment rooms, • 6 outdoor treatment pavilions, • Mud pools, • Flotation pools, • A steam bath, • An extensive range of treatments 	Golf Tee-off can be arranged at nearby Sentosa Golf Club: 2 x18-hole courses. The 1 st Designed by Frank Pennick in 1972 and the 2 nd by Ronald Fream Design Group in 1982.	Meeting and conference facilities are provided for within the Sentosa Resort & Spa which has over 1,300 m ² to accommodate groups of 20 to 400. The club is ideal for team building activities.	<ul style="list-style-type: none"> • Restaurants • Beach • Babysitting • Fitness Club • Jogging Track • Tennis / Squash Courts • Volleyball • Archery • 20m Swimming Pool 	<ul style="list-style-type: none"> • 30 minutes by car to Changi International Airport. • 10-Minutes by car to Singapore City Center 	Self contained facilities and other attractions including: <ul style="list-style-type: none"> • Oceanarium Siloso / Central / Tanjong Beach • Ferry Excursions • Pulau Brani • Maritime Museum • Merlion • Cable Car to Singapore Mainland • Sentosa Cove Marina
Jebel Ali Golf Resort and Spa, Dubai 1981 (renovated in 2000)	The spa offers over 30 innovative facial and body treatments including: <ul style="list-style-type: none"> • Exotic Wrapture Elemis • Exotic Facials • Massage Rituals 	9 hole par 36 championship golf course designed by Peter Harradine	The conference and meeting facilities of the resort comprise an area of over 1,000m ² .	<ul style="list-style-type: none"> • Restaurant • 90 Berth Marina • Camel / Donkey Rides • Horse Riding • Deep Sea Fishing • Peaco Children's Club • Club Joumana • Shooting Club 	<ul style="list-style-type: none"> • 35km from Dubai Airport (45 minutes) • 50km from Sharjah Airport (60 minutes) • 42km to Abu Dhabi (45 minutes) 	Self contained facilities.

Resort / Hotel and Date Est.	Spa Facilities	Golf Course	Conference Facilities	Support Facilities	Transportation	Attractions
<p>Kulm Hotel, Switzerland</p> <p>1856 (renovated in 1997)</p>	<ul style="list-style-type: none"> Whirlpool Sauna Caldarium Salt water Grotto Steambath and Aromabath <p>Treatments Include:</p> <ul style="list-style-type: none"> Thalasso Therapy, Algae and Fango Wraps, Hydrojet Massage Rooms 	<p>9-hole executive golf course designed by Mario Verieri</p>	<ul style="list-style-type: none"> A Brattas Room (divisible into 3 sections.) A Medici Room, a Bridge room. A Ballroom (divisible into 3 sections.) A Corviglia Room. 4 Rosatsch Rooms (1 is divisible into 3 sections.) A Boardroom. 	<ul style="list-style-type: none"> Ski / Cross Country Ski School Curling Club Shooting Restaurant Sailing River Rafting Hairdresser / Barber Kindergarten 	<p>The hotel can be accessed by air via airplane connections at Samedan (local airport near to St.Moritz.</p> <p>The hotel is located:</p> <ul style="list-style-type: none"> 3 hours drive from Zurich (220km) 4 hours drive from Munich 3 hours drive from Milan The hotel is also accessible by public bus and intercity trains. 	<p>Self contained offering:</p> <ul style="list-style-type: none"> Glacier exploration Mountain climbing Mineralogy and botanical excursions (on certain days) Skiing and Cross Country Skiing
<p>Windsor Toya Resort and Spa, Japan</p> <p>Renovated in 2003</p>	<ul style="list-style-type: none"> 3 VIP couples Rooms 9 Private Treatment Rooms 2 Vichy Shower Rooms 2 Traditional Japanese Hot Springs 25m Swimming Pool Jacuzzi Fitness Room 	<p>Golf Tee-off can be arranged at ta choice of 2 golf courses The Windsor Great Peak of Toya is exclusive to hotel guests and has a 18-hole golf course. The Prima Donna Hyper Gold Ranch 20mins from Hotel also has a 18-hole golf course.</p>	<ul style="list-style-type: none"> Windsor Hall: accommodates up to 540 people (banquet style) or 1000 (theatre style) Marquis: accommodates up to 40 (banquet style) or 70 (theatre style) Duke: accommodates up to 140 (banquet style) or 220 (theatre style) Earl: accommodates up to 40 (banquet style) or 75 (theatre style) Viscount: accommodates up to 10 (banquet style) and 25 (theatre style) Baron: accommodates up to 25 (banquet style) or 70 (theatre style) 	<ul style="list-style-type: none"> Bird Watching Sketching Barber / Hairdresser Restaurant and Bar Windsor Hotel School Skiing 	<ul style="list-style-type: none"> 98km from the New Chitose Airport, Sapporo. 166km from the Hakodate Airport. <p>There is an airport shuttle available on request and subject to advanced booking.</p>	<p>Self contained facilities.</p>

2.3 Design Criteria

2.3.1 The overseas case studies have identified that successful resorts generally have the following attributes:

- **Privacy and service:** All the resorts reviewed offer privacy and top service.
- **Location:** a quality private location is normally preferred.
- **Accessibility:** Most resorts are readily accessible and have good vehicular access.
- **Branding:** The use of well-known operators provides a degree of assurance for customers.
- **Naturalistic Design:** The extensive use of natural materials, colour & textures is increasingly used.
- **Water:** Swimming pools and water features set within lavish landscape treatments frequently form a core element of the resort design.
- **Spa Features:** These are usually branded or marketed in a particular way. Each of the case studies examined incorporated individual forms of treatments.
- **Rooms and Suites:** Most provided a range of rooms and suites to cater for ranges of affordability.
- **Getaways:** Many of the resorts provide getaway locations for consumers living within fairly close proximity.
- **Responding to Climate:** To ensure all year round patronage all resorts provide attractions that can be enjoyed in either very hot or very cold months.
- **Conferences:** All resorts have associated conference facilities. This offsets drops in income during low seasons or at mid-week.
- **The Total Package:** Most case study resorts provided a wide range of activities (most included golf) and dining experiences designed to keep guests on site.

2.4 Hong Kong Visitor Profiles – Recent Trend

2.4.1 Overall visitor arrivals to Hong Kong grew strongly in 2004. In December 2004, the monthly arrivals to Hong Kong reached over 2.08 million, a growth of 16.3% compared to the same month in 2003 and was the highest monthly arrivals figure on record. For the full year of 2004, total arrivals increased by 40.4% year-on-year to 21.8 million and set the highest record for visitor arrivals in history. Mainland China continued to be our largest source market, with over 12.2 million arrivals. Major long haul markets also grew steadily and rebounded to pre-SARS levels.

2.4.2 In terms of visitor profile, the average visitor to Hong Kong is becoming slightly younger although still middle-aged, married and male. There is an increasing trend for family visitors as well. The purpose of visits to Hong Kong is increasingly business related but still primarily leisure related. These figures are not surprising as Hong Kong has long been a desired holiday destination. Key attractions are the unique East meets West fusion of styles, cuisine, culture and architecture left over from the colonisation of the British.

2.4.3 The tourism industry is one of the major pillars of the economy of Hong Kong. The total tourism expenditure associated to inbound tourism reached HK\$91.8 billion in 2004. Looking ahead, with the newly opened Hong Kong Disneyland in September 2005 and the opening of several major tourism attractions, the outlook of the tourism industry in Hong Kong is expected to be positive.

2.4.4 To cater for such high visitorship, noting visitors' tastes for more diverse experiences, and to borne in mind that other destinations are opening up that will compete with Hong Kong, we do aware the demand for new and varied tourist infrastructure and attractions.

2.5 Research on Supply and Demand

2.5.1 The research in respect of the supply and demand for spa and resort facilities in Hong Kong are summarised as follows.

2.5.2 On Demand Side:

- There is a discernible growth in demand of spa facilities in Hong Kong. This is reflected by the transitional development of growing number of urban spa (i.e. facilities within urban hotel, private club, etc).
- A competitive resort product is likely to increase the growth and range of visitors to HK.
- Local market usership of the resort is expected to be high.
- Hong Kong is a relatively safe holiday destination that is convenient to visit.
- Corporate, convention and exhibition demand and usership is anticipated to be significant.

2.5.3 On Supply Side:

- Spa resorts have continued to develop through SE Asia. The market is increasingly competitive. Yet, the recent tragic events in SE Asia, such as the 2004 tsunami, terrorist attack, etc., may affect visitors in planning for their vacation destination, in particular long haul visitors.
- Despite the growing number of urban spa, Hong Kong has a distinct lack of resort facilities and whilst plans have been formulated for the development of resort properties, most are still at the planning stage.
- The main exception to this is Disney. The opening of Disneyland and the two associated hotels will radically alter the landscape. – It will also create a new dynamic with a market leader in resort operations located in Hong Kong.
- The new resort hotels at Disneyland will change the market perception of Hong Kong as a resort destination and bring a new type of traveller to Hong Kong – who will also be keen to experience more than just the resort experience.
- A positive aspect of the resort industry in Hong Kong is that there are plans to develop new facilities, or to upgrade existing facilities. Developments that have already been identified include :-
 - Ocean Park's plans to develop 3 hotels within their boundaries
 - Hong Kong Resorts plans to expand Discovery Bay with hotels, spa facility and possibly additional golf facilities

2.6 Views from Industry

- 2.6.1 Key industry players have been consulted and these include Hong Kong Hotel Industry Association, Club Managers Association, major resort developers, Ocean Park Corporation, HK Jockey Club Kau Sai Chau, and major local hoteliers.
- 2.6.2 Those involved in the tourism industry agree that there is a market for resort developments. Hong Kong has potential for developing spa and resort facilities in view of its political stability, well-maintained law and order, high hygiene standard, low risk of natural disaster, availability of scenic locations (such as outlying islands and countryside areas) as well as world class infrastructure, especially when comparing with other spa and resort destinations in the region.
- 2.6.3 Implementation of such facility would be significantly contingent on public support. Whilst a spa would be a main element within the resort, it would have to have other attractions to be viable. The support facilities, eg. conferences, spas, etc. would allow the resort to ensure that it is able to operate through the extremes in HK's weather.
- 2.6.4 Spas offering traditional Chinese Medicine (TCM), and Medical/Clinical based spas (comparable to Swiss's health and beauty treatments) are likely to be attractive to tourists throughout the year.
- 2.6.5 The tourism industry also considered that tourism zones would need to be established to ensure that resort development is successful. Direct road access was considered to be important. A recognisable brand name would be essential to attract visitors. This would bring certainty in terms of the product being offered.

2.7 Research on Market Requirements

- 2.7.1 Resort Hotel Developers typically require a critical mass of accommodation and particular facilities. This normally amounts to 300+ keys with full back of house facilities. However, this scale of development is space intensive and candidate sites are in short supply.
- 2.7.2 Some niche operators, however, prefer a smaller, boutique approach. This is a more risky investment but can generate higher returns. Business models rely on niche 'lifestyle' marketing to the market segment of couples with higher disposable income. Remote locations also encourage longer stays i.e. to make the journey worthwhile.
- 2.7.3 Pampering spas are becoming more popular. These are richly decorated, with indoor-outdoor garden themes, cosy and cosseted environs and usually with a low-tech – high-touch approach to service.

2.8 Deficit and Shortfalls

- 2.8.1 The growth of spa facilities in Hong Kong was been mirrored, and surpassed, throughout the Asian region. From Shanghai (eg. Hilton Spa, Evian Spa) to Singapore (Amrita Spa at Raffles, Saint Gregory Therapeutic Spa, Spa Botanica at Sentosa, The Oriental Spa, The Aspara at the Goodwood Hotel), spas are being added to existing hotels and being developed as stand-alone operations.
- 2.8.2 Bangkok has seen the addition of a dedicated spa hotel (the Banyan Tree at Thai Wah Tower 2) and Shenzhen has seen the introduction of an extensive spa facility at the Crowne Plaza Hotel.
- 2.8.3 Spa resorts have continued to develop with the established destinations of Phuket and Bali being challenged with the emergence of new facilities in Koh Samui, Chiang Mai and the Maldives – where the Maldives government has just tendered eleven islands to be developed as unique up-market resorts, which will have a heavy reliance on the "spa experience" to capture a burgeoning destination spa market.
- 2.8.4 It is not possible for Hong Kong to compete with the tropical resort paradises of Bali and

Phuket, Malaysia or even Singapore because of its seasonal climatic conditions. In these tropical locations clients can be outdoors all year around. With shaded outdoor massage pavilions, lush broad-leafed tropical landscaping and foliage, the aromas and natural ambience become a part of the spa experience in escaping the stresses of city living. Even when it rains the treatments or relaxation and bathing can continue due to the temperate climate.

- 2.8.5 For much of the year the ambient temperatures and humidity levels in Hong Kong are excellent for outdoor relaxation, bathing and pampering. However, at the height of the summer and depth of the winter seasons, activities need to be in an indoor or artificially controlled environment. With the seasonal variations in Hong Kong's weather, any resort attraction will have to be adaptable to the different climatic conditions.
- 2.8.6 Pollution is likely to be a constraint on spa and resort development. Recent high pollution levels in Hong Kong have drawn bad publicity for Hong Kong as a 'clean' and 'healthy' destination. There is hence a need to improve the current environmental conditions in Hong Kong if it is to be promoted as a popular holiday destination.
- 2.8.7 Hong Kong will have to develop its own unique characteristics for a resort that will lead to its own market positioning in an increasingly crowded market place.
- 2.8.8 As a resort destination, Hong Kong will have to compete with such offers as:-
- Macau - The development of new casinos and their related facilities will be a big draw, especially for Mainland Chinese. The revenues generated by the casinos will allow spectacular spa and golf facilities to be created, as has been witnessed in Las Vegas.
 - Hua Hin - Traditionally the winter retreat for Thai Royalty, this beach front now features or will soon feature many international hotel and resort operators (Marriott, Regent Hotels, Sofitel, Anantara Resorts, Evason Resorts, Dusit Resorts, Meridien, Hyatt International, Hilton, Holiday Inn) side by side – as well as award winning destination spas such as Chiva som.
 - Dubai - Increasingly positioning itself as a gateway and resort destination, the concepts become more bold. As well as the development of The Palm (a collection of man-made islands in the shape of a palm tree trunk and palm fronds – each with resort and residential developments built on its shores) and a sports city, the latest concept is a group of islands the shape of the world map. Each 'country' is for sale for private development.
 - Hainan - Many of the top international hotel brands (Sheraton, Marriott, Meridien, Shangri-la, Crowne Plaza, Hyatt International, Holiday Inn etc) are now operating, or planning to operate, on Hainan Island and the offers of golf and spa facilities are rapidly expanding.
- 2.8.9 As countries chase the tourism dollar, resort developments are appearing in destinations such as India, Vietnam, Myanmar and Cambodia, as well as the more established destinations.

2.9 Lessons for Hong Kong

- 2.9.1 Hong Kong will have a greater awareness in the resort market with the opening of the Disney Hotels in 2005, and these will provide a resort experience for visitors to Hong Kong.
- 2.9.2 Leveraging on this opportunity, Hong Kong will then need to create further unique offers that capitalise on the drama of the vistas in Hong Kong (spectacular mountains, beautiful beach coves and bays, harbour views etc.), its South China Sea location and its' unique

heritage and cultural identity together with the cuisine, craft and traditions that assist in forming that identity. Thus far, Hong Kong has opted from branding maxims that give more emphasis to the 'urban' Hong Kong. The 'Asia's World City' brand expounds the virtues of Hong Kong as a city destination rather than expounding the virtues of rural attributes (a visit to Hong Kong's islands and countryside/beaches is generally appended to city based attractions). This perhaps highlights a need for Hong Kong to revisit the way it presents itself to the tourism market.

2.10 Market Overview

2.10.1 Based on the overview of market research for spa and resort facilities, a number of key development considerations applicable to the Hong Kong situation were derived. They are summarised below.

- A key finding from the market research is that any offer in Hong Kong must take account of the unique characteristics of Hong Kong – giving a sense of place to the attraction.
- An element that was considered a unique attraction for Hong Kong was Traditional Chinese medicine and its growth in popularity could assist with the success of development.
- It was also considered, however, that any resort would not succeed on one attraction alone – a multiple set of attractions would be necessary to ensure commercial success.
- As well as Traditional Chinese medicine, good spa facilities and conference facilities in a more exclusive environment are considered to be key elements.
- Golf facilities are also considered a prime opportunity, but the constraints of land availability make realisation difficult to accomplish.
- The development of water-sports based attractions was considered more 'high-risk' because of the competitive attractions in the region.
- Key factors considered by developers for resort projects are access and infrastructure – and this is borne out with the case studies that were examined
- A pro-active approach to a tourism zone would also be an assistance to resort developments – again the new impetus in Sentosa in this respect is assisting the resorts on Sentosa.
- An important consideration for the success of the resort is branding – this is important with Disney and is shown to be important with the case studies investigated. This branding takes different forms:
 - The association with a hotel brand such as Hyatt assists the profile of the Macau property.
 - The association with a attraction brand such as Sentosa which promotes itself as a resort island assists those properties.
 - The association with an exclusive brand image that St. Moritz has in the marketplace assists the Kulm Hotel.
- The business model for a resort development in Hong Kong shows that such developments can be feasible – dependent on the land cost associated with the project.

- Resort developments are considered 'higher-risk' by developers so there needs to be incentives to develop the market.
- The market for resorts is growing in Asia and throughout the world – but the range and quality of the destinations is also growing and Hong Kong will have to work hard to compete.
- Spa facilities are also growing quickly – and again Hong Kong will have to compete with a variety of destinations – which makes the emphasis of a unique attraction all the more compelling.
- A mainly positive outlook for resort developments in Hong Kong was found in the marketplace – with an emphasis on uniqueness, branding, and an overall strategy for such development.

2.10.2 In sum, Hong Kong will need to differentiate from its labour intensive competitors in the region, by offering unique and value-added facilities like traditional Chinese Medicine and Medical/Clinical based spas (comparable to Swiss' health and beauty treatments), as well as offering supporting facilities such as conferences facilities, to ensure the viability of the development. Golf facilities will also enhance attractiveness, but it may not be easy to find suitable sites for the purpose. A recognizable brand name will be essential to attract visitors and assure them of the quality of the product.



3. DEVELOPING SPA AND RESORTS IN HONG KONG

3.1 Criteria for Development Sites

3.1.1 Based on the market research, we have identified that a development site for spa resort should have the majority of the following attributes:

- A conducive and stimulating setting having an appropriate measure of visual containment and interesting outlook.
- Minimum environmental impact with regard to neighbouring uses.
- A location that is ecologically compatible with the proposed uses, and where a diverse habitat could be preserved and possibly integrated within the design of the resort.
- Relative ease of access, ingress and egress for visitors without the need to construct major new and disruptive transport routes.
- Availability of infrastructure such as water supply, drainage, sewers and utilities, etc.
- Site location and disposition that could have a socially positive value, supported by the local community and other stakeholders.
- Economic benefits to both the operators, the wider community in terms of jobs and services, and to Hong Kong as a whole.
- Aspects that would not create political disruption through local communities, District Councils and other representative bodies because of their incompatibility with existing uses.
- Sites that could be relatively easily acquired and formed without undue delay and controversy so that the implementation process can be expedited.

3.1.2 In sum, the criteria for a spa and resort site are:

- *Site Suitability:* Sites should have a stimulating setting, visual containment and interesting outlook.
- *Accessibility:* It should be well served by road, or sea transport.
- *Environment:* Environmental impacts are to be avoided as far as practicable.
- *Availability of Infrastructure/ or Upgrading*
- *Economic and Social Benefits:* to both the operators and the wider community

3.2 Development Model

3.2.1 Two principle trends have been identified in resort development – larger resorts on the one-hand and boutique resorts on the other. As such, two models are developed and considered suitable for the Hong Kong situation. In Model A, a 5 star, 100-bed boutique resort hotel is projected. In Model B, a 3-4 star, 300-bed resort hotel is projected.

3.2.2 The associated room mix & size, front and back of house facilities, space allocation, seasonal rates and promotional periods in the calendar, occupancy and resulting yield, average spending in food & beverage and ancillary facilities, spa occupancy, rate, retail merchandising and yield have been worked out for each model.

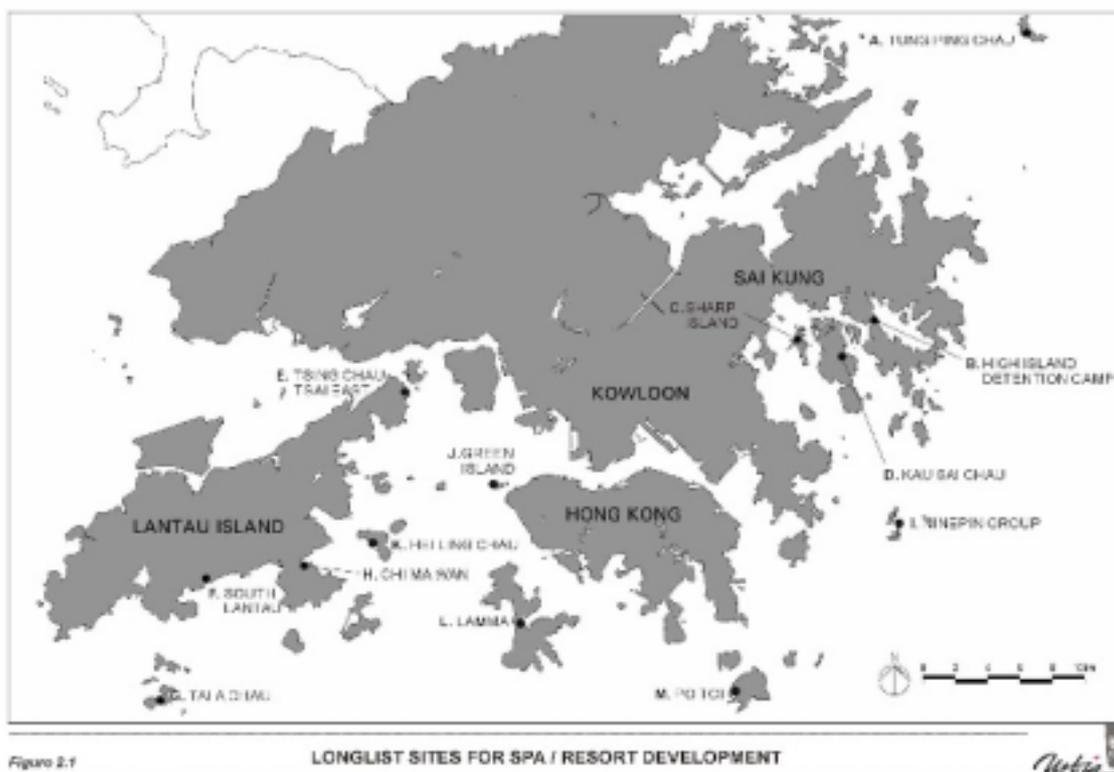
- 3.2.3 To facilitate the financial assessment for the case studies, assumptions on Capex (inclusive of FF&E) (\$/m² per room) at US\$9m for the 100-room hotel and US\$ 16m for the 300-room hotel), and other necessary assumptions have been worked out with reference to industry standard assumptions and actual examples.



4. CASE STUDIES

4.1 Identification of Suitable Cases

- 4.1.1 To further demonstrate the potential for developing spa and resort facilities in Hong Kong, we have conducted case studies on specific locations.
- 4.1.2 A territory-wide exploration based on the identified development criteria was conducted to select suitable sites to serve as case studies. The exercise has made reference to the identified criteria for spa and resort development sites. It is noted that there are a number of sites in Hong Kong with good scenic views and very natural setting such as Tung Ping Chau, Former High Island Detention Camp site, Sharp Islands, Kau Sai Chau, Tsing Chau Tsai East, South Lantau, Soko Island, Chi Ma Wan Peninsular, Ninepin Island Group, Green Island, Hei Ling Chau, Lamma Island and Po Toi Islands. The exercise reveals that sites located in Sai Kung, Lantau or on other outlying islands have stimulating setting and are more attractive for spa and resort development.



- 4.1.3 During the course of the study, it is noted that Tung Ping Chau has been identified as a suitable site for eco-tourism and outward-bound type of activities. Although the site is not suitable for a 100-bed or 300-bed model, it is recommended that simple overnight stays should be provided (i.e. to upgrade existing structures) for overseas and local tourists. This could be packaged with activities such as snorkelling, diving, hiking, etc. The proposals would be subject to detailed environmental assessment at the stage of detailed design.
- 4.1.4 Three sites on Government land have been selected as case studies for more detailed review and assessments. These comprise.
- Case Study 1 – Former High Island Detention Camp, Sai Kung
 - Case Study 2 – Cheung Sha Beach, South Lantau; and
 - Case Study 3 – Tai A Chau, Soko Island.

- 4.1.5 The objective of identifying the case study sites is to demonstrate and illustrate whether there are suitable sites for spa developments in Hong Kong, and whether they would be viable financially, environmentally, and technically. This above list is not exhaustive and there may be other suitable sites in private ownership.
- 4.1.6 A schematic layout plan has been devised for each case study site. The layouts have taken into consideration the site opportunities and constraints. A comprehensive landscape framework has been devised which complements the existing natural environment. The resorts have maximised recreation potential by promoting water recreation, island hopping tours, etc.

4.2 Case Study 1: Former High Island Detention Centre, Sai Kung

- 4.2.1 The 8.7 hectare site is located within a scenic setting within the Sai Kung East Country Park with proximity to water sports and recreational areas. It is a former refugee detention camp. The site is paved and mostly un-vegetated. The site is level and major infrastructure development would not be required.
- 4.2.2 The site is currently accessible by the MacLehose Trail Stage I and by the existing WSD access road. Road access would need to be upgraded in consultation with WSD/AFCD. Marine access is also possible.

Design Parameters

- 4.2.3 For study purpose sake, we need to assume the development parameters. It is proposed that the resort should be a low rise development to ensure that the development will be compatible with the adjacent natural setting. A maximum plot ratio of 0.24, a maximum height of 3 storeys (9m) and a maximum site coverage of 25% are suggested. Due to the large site area and access to existing recreational facilities in Sai Kung, there is an opportunity to provide a larger resort. A 300 rooms three-star spa resort hotel is proposed. It is suggested that the resort adopt a neutral yet sophisticated architectural style to avoid creating a pastiche development that is generatively evocative of spa architecture found elsewhere in the region.

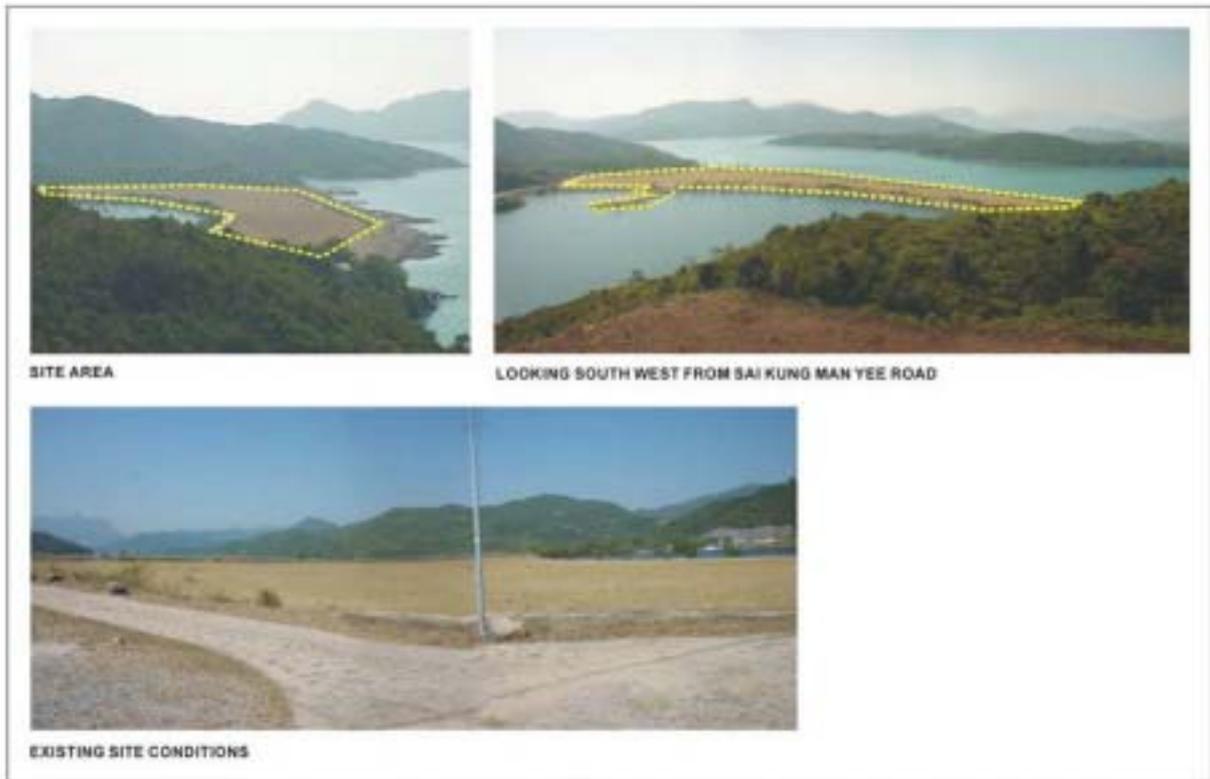


Figure 2.1.1

FORMER HIGH ISLAND DETENTION CAMP: SITE PHOTOS (SHEET 1 OF 3)



Figure 2.1.4

FORMER HIGH ISLAND DETENTION CENTRE: SCHEMATIC CONCEPTUAL LAYOUT PLAN



4.3 Case Study 2: Cheung Sha Beach, South Lantau

- 4.3.1 The Site is highly accessible to Tung Chung and Mui Wo, and is located by a long beach. This 4 hectare site has also been identified for possible resort development under the Concept Plan for Lantau. It is located in an area proposed for promotion of sustainable recreation and visitor uses. The site falls within an area zoned for “Coastal Protection Area” on the South Lantau Coast Outline Zoning Plan and rezoning is required to facilitate the resort development. Some upgrading of existing infrastructure will be required.
- 4.3.2 The resort will be readily accessible from the existing airport as well as from other parts of Hong Kong. The inclusion of a resort at Cheung Sha would in part reflect its growing importance as a leisure and recreation destination and improve the quality of development in the area (currently, the environmental quality of areas adjacent to the South Lantau Road has been seriously degraded by bad neighbour uses, open storage and low grade developments).

Design Parameters

- 4.3.3 It is proposed that the resort should be a low rise development to ensure that the development will not adversely impact the adjacent areas. A maximum plot ratio of 0.25, a maximum height of 3 storeys (9m) and a maximum site coverage of 25% are suggested. A 100 rooms five-star spa resort hotel is proposed. The layout and design of the resort that had been proposed has sought to integrate the facility within the environs of the site so that it does not compromise the current character of the area whilst making a positive contribution to the local economy.



Figure 2.1.1

CHEUNG SHA BEACH: SITE PHOTOS (SHEET 1 OF 2)



Figure 2.1.3

CHEUNG SHA BEACH: SCHEMATIC CONCEPTUAL LAYOUT PLAN



4.4 Case Study 3: Tai A Chau, Soko Islands

- 4.4.1 Tai A Chau (6 hectares), which is the former refugee detention camp, is located in a secluded location far from the urban areas of HK, offering a potential for true 'Retreat' resort. High speed ferry/boats would render it accessible from the Airport, Central, etc. It is set within a scenic and relatively high environmentally sensitive setting. Water and land recreation eg. sailing, hiking, snorkelling, etc. could be offered, subject to environmental assessments.
- 4.4.2 The marine area surrounding Tai A Chau has been earmarked for a proposed Marine Park. Environmental issues must be addressed and suitable development must be ensured if the site is to be further considered for development.
- 4.4.3 The island will require substantial infrastructure provision the cost of which could be significant.

Design Parameters

- 4.4.4 It is proposed that the resort should be a low rise development to ensure that the development will not adversely impact the adjacent areas. A maximum plot ratio of 0.17, a maximum height of 3 storey (9m) and a maximum site coverage of 25% are suggested. The remoteness of the site calls for something special. The layout of the resort capacities upon existing topography and existing formed platforms. The integrity of slopes and vegetated areas has been maintained. A 100 rooms five-star luxury "retreat" type spa resort hotel is proposed.

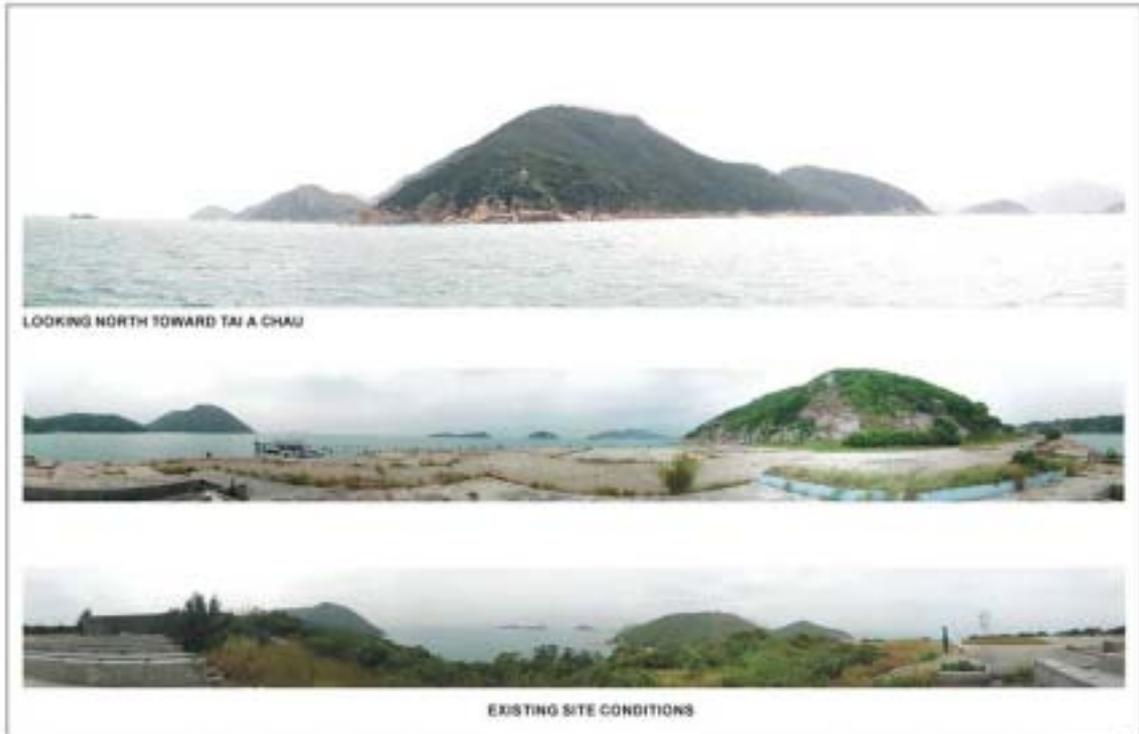


Figure 4.1.1

TAI A CHAU: SITE PHOTOS (SHEET 1 OF 1)



Figure 4.1.2

TAI A CHAU MASTER LANDSCAPE PLAN



4.5 Summary of the Three Case Study Sites

Technical Assessment

4.5.1 Various technical assessments have been conducted on the possible sites. These include a review of land use, environmental, transport (both road and marine), geological, infrastructure, drainage, economic and financial, ease of implementation, and public resistance issues. A summary is provided below:

Site	1. High Island Reservoir	2. Cheung Sha Beach	3. Soko Island's Tai A Chau
Land Status	<ul style="list-style-type: none"> Within Sai Kung East Country Park 	<ul style="list-style-type: none"> Within "Coastal Protection Area" ("CPA") zone on Outline Zoning Plan 	<ul style="list-style-type: none"> Proposed marine park-
Land Ownership/ Statutory/ Consultation Requirements	<ul style="list-style-type: none"> Government Land Require approval from Country and Marine Parks (CMP) Authority/Board and consultation with District Council (DC) 	<ul style="list-style-type: none"> Government Land Require rezoning request and approval from Town Planning Board (TPB) and DC Consultation 	<ul style="list-style-type: none"> Government Land Proposed marine park- if endorsed, would require approval from CMP Authority/Board
Land Use Compatibility	<ul style="list-style-type: none"> Adjacent to water sports centre In proximity to Sai Kung and other islands 	<ul style="list-style-type: none"> Designated area for resort and recreational facilities under the "Concept Plan for Lantau" Adjacent to low rise private housing Adjacent to beach and in proximity to short-stay accommodation, restaurants, boat hire, etc. Resort use not a permitted use under CPA: require rezoning approval from TPB 	<ul style="list-style-type: none"> Area designated for future Marine Park Site identified as a possible long-term resort destination under the "South Lantau and Mui Wo Development Feasibility Study" One of the sites chosen by CLP for LNG station. Low-level Radioactive Waste Storage Facility (LRWF) located on adjacent Siu A Chau
Accessibility	<ul style="list-style-type: none"> Existing WSD access road require upgrading. Require car permits for guests Pier may be upgraded for marine access 	<ul style="list-style-type: none"> Highly accessible by to Tung Chung by Tung Chung Road (widening), and to Mui Wo by South Lantau Road. 	<ul style="list-style-type: none"> Rely on marine access Possible high maintenance costs for ferries.

Site	1. High Island Reservoir	2. Cheung Sha Beach	3. Soko Island's Tai A Chau
Environmental Impacts	<ul style="list-style-type: none"> • Low impacts for cleared area (former detention camp) • Required approval under Environmental Impact Assessment Ordinance (EIA) 	<ul style="list-style-type: none"> • Moderate impacts due to densely vegetated area • Required approval under EIAO 	<ul style="list-style-type: none"> • Low impacts for cleared area (former refugee camp) • Required approval under EIAO
Infrastructure Requirements	<ul style="list-style-type: none"> • Secondary or higher sewage treatment facility required • New electricity substation required • Available water supply. 	<ul style="list-style-type: none"> • Secondary or higher sewage treatment facility required- may connect to future public sewer., • Existing water and electricity supply 	<ul style="list-style-type: none"> • Require new sewage, water and electricity provisions • Secondary or higher sewage treatment facility required • Major infrastructural costs.
Social and Political	<ul style="list-style-type: none"> • Green groups have concerns on possible impacts to flora, fauna and marine life. • Country parks are a public asset hence using the site as a resort maybe controversial. 	<ul style="list-style-type: none"> • Support from industry players and some District Councilors • Adjacent land owners may object to resort as it is currently zoned as CPA 	<ul style="list-style-type: none"> • Green groups have concerns on possible impacts to marine life. • Tai A Chau may be chosen for the LNG facility
Implementation	<ul style="list-style-type: none"> • Medium Term 	<ul style="list-style-type: none"> • Medium Term 	<ul style="list-style-type: none"> • Long Term

4.5.2 The preliminary environmental, ecological, traffic, marine traffic, geotechnical, sewage, drainage and utility assessments have found that the development of spa and resort facilities on these sites feasible. All sites are capable of accommodating a spa resort development. The architectural forms adopted for each site have sought to avoid significant material impact to the local environment.

4.5.3 Whilst the Tai A Chau and High Island sites are located in fairly pristine locations, the Cheung Sha Site is an exception. Approaches to the site from the east (particularly in the Pui O area) are compromised by the storage of decommissioned vehicles, etc. Similarly, the quality of development and vegetation management is frequently poor. If the tourism potential of South Lantau is to be exploited, positive intervention (eg. landscape improvement works) will be required.

Financial Assessment

4.5.4 A preliminary financial assessment has also been conducted for each case study. The result is summarized in the following table.

	1. High Island Reservoir	2. Cheung Sha Beach	3. Soko Island's Tai A Chau
Capex (inclusive of FF&E)*	● \$187 million	● \$89.7 million	● \$89.7 million
Government's Infrastructure Cost	● Some investment required for infrastructure upgrading (\$1.3 million)	● Some investment required for infrastructure upgrading (\$1.8 million)	● Major infrastructural costs (\$31.8 million)
Payback Period *	● 4 years	● 5 Years	● 10 Years
IRR *	● Good IRR (35%)	● Good IRR (30%-35%)	● Low IRR (18-21%)

* No land premium has been included in the calculation.

4.5.5 According to the broadbrush financial assessment, it is noted that all the three cases will produce a positive IRR. The High Island and Cheung Sha case studies show good rates of return. Yet, the cost of servicing the Tai A Chau site by vessel will be significant. The introduction of a water supply and other utilities would be added financial burdens to the developer. If the developer is obligated to sustain these, cost margins (IRR) would fall to around 15%. This would probably not be attractive to many developers if government is unable to contribute to servicing costs as well as providing innovative approaches to the extent of land premium that is charged. A creative approach would be required to optimise returns to developers. Nevertheless, there may be administrative and other complexities inherent to such an approach.

4.5.6 Of importance is that the study has shown that resort development could be implemented in Hong Kong on a viable basis. Resorts will produce jobs and will most certainly produce spin offs to the economy of Hong Kong. All sites have the potential of generating significant local employment and revenue and would beneficially utilise abandoned or available government land in a positive and sustainable manner. They must, however, be implemented by competent and committed operators capable of guaranteeing a product of which Hong Kong can be proud of.

4.6 Implementation Mechanism

4.6.1 The implementation model and development programme for a spa resort hotel development proposal may vary with respect to land ownership, complexity of the development etc.

4.6.2 Under existing Government mechanisms, disposal of Government land for development is usually arranged through auction or tender to ensure fairness and equity, while development on private land would be processed by the Lands Authority through established land administration system by means of e.g. lease modifications, land exchange, etc.

4.6.3 It is noted that the current established mechanisms could accommodate the development of spa resort facilities. Yet, in the process, there may be a need to build in a system to guarantee a high quality end product since the market research has illustrated the importance of uniqueness, branding and quality of a spa resort development in sustaining the business as well as strengthening Hong Kong's tourism industry.

4.6.4 A typical time-table for developing a spa and resort facility on Government land through open tender is developed as follows

• Obtain Statutory Approvals	12 – 15 months*
• Invite registrations of interest from potential stakeholders	1 month
• Review responses	2 months
• Prepare tender	2 months
• Tendering period	4 months**
• Review tenders returned	6 months
• Select candidate(s)	1 month
• Negotiate terms and conditions	3 months
• Award Contracts	2 months
• Commence site preparation, infrastructure and construction	3 months
• Complete construction for soft opening	24 - 27 months
TOTAL TIME FRAME	5 – 5.5 years ***

*This may include obtaining approval for rezoning request, obtaining Environmental Permit, gazettal under Foreshore and Seabed (reclamation) Ordinance, Town Planning Ordinance etc. This period may be extended subject to detailed design, especially detailed feasibility study and environmental assessment may have to be conducted for the particular resort site.

** The site would have to be cleared by Government before the invitation of Tender. The estimated lead time for site clearance will only be confirmed after thorough site inspection

*** This is a broadbrush estimation and some of the procedures could indeed be carried out in parallel and thereby reducing the timeframe.

5. PUBLIC CONSULTATION

5.1 Introduction

5.1.1 A public workshop on the study subject was held on 7 April 2005. The purpose of the workshop is to gather the public and the trade's views on spa and resort developments in Hong Kong. Over 120 participants from various fields joined the workshop. A summary report on the views collected at the workshop has been uploaded to the Tourism Commission's website. This is followed by the public consultation period up to May 2005. Consultees include residents, District Councilors, Green Groups Representatives, industry players (such as tourism, hotel, spa and resort operators), business sector (eg. developers), universities, professional bodies, HKTB and government representatives. Nineteen written submissions/comments from the public were received during the consultation period.



5.2 Summary of comments

5.2.1 The public in general support the development of spa and resort facilities in Hong Kong which can enhance the tourism trade and benefit the local economy. The public recognize that Hong Kong has potential for the development of spa and resort facilities given its beautiful natural environment in the countryside and along the sea-front; while the proposed development would require high level of investment which may become a major hindrance to the private sector. There are concerns about the environmental impacts of spa and resort development. The Green Groups and some individuals, mainly Lantau residents, raised strong environmental concerns about developing such facilities in Cheung Sha in particular. Regarding the three sites for case studies, the general view is that the Former High Island Detention site has attracted less environmental concerns. There is also quite consistent view that any development initiatives should be demand driven and private- sector-led, and the role of the Government should be confined to that of a facilitator to co-ordinate and streamline the procedures for implementing the private sector proposals.

5.2.2 In sum, the comments can be broadly categorised into the following:

- Possible Types of Facilities
- Major Areas of Concern
- Implementation Issues: Economic Viability and the Role of Government
- Suitable Sites for Spa and Resort Development
- Comments on Case Studies

5.2.3 These are listed below together with a brief summary of the consultant's response.

Possible Types of Facilities

- 5.2.4 There is an overall consensus that there is a potential to develop spa resorts in Hong Kong. Spa resorts should adopt the following features:
- adopt themes to attract customers eg. health and wellness, family orientation, oriental culture such as Tai Chi, Acupuncture and Chinese medicine, etc.
 - targeted at the high-end market but may also be accessible by mid-upper class
 - low-density and tranquil resorts should be provided. The locations should be scenic, away from urban areas, can be along a beach or on a mountain, can bring in additional local employment opportunities, etc.
 - all-weather and integrated resort, including business and convention facilities, education facilities such as training centre for students, ecological park, Chinese medicine plantation and education centre, activity camps, marine studies facilities and horse riding, etc.
 - recreation and leisure facilities, eg. water sports such as fishing boat and yacht, skiing, yachting, canoeing, scuba diving, jet-ski and fishing, cycling and hiking, parachuting, nature appreciation class, adventure games, etc.

Consultant's Response:

In general, the consultant agreed with the public comments. Based on the market research, Hong Kong will need to differentiate from its labour intensive competitors in the region, by offering unique and value-added facilities like traditional Chinese Medicine and Medical/Clinical based spas (comparable to Swiss' health and beauty treatments), as well as offering supporting facilities such as conferences facilities, to ensure the viability of the development. There is a need to emphasize on uniqueness and branding.

Major Areas of Concern

- 5.2.5 The key environmental concerns included:
- spa facilities would require substantial energy in water heating and room cooling. Energy efficient methods should be promoted
 - waste and waste-water management and treatment should not adversely affect the environment
 - ensure the construction of resort would not adversely affect water quality. Government should implement water improvement programmes
 - the Environment Impact Assessment (EIA) Ordinance imposes stringent constraint on project implementation. Developers would have to conduct EIA's under the current EIA Ordinance requirements and it was suggested the government should be more flexible on its policies
 - sustainable development should be promoted
 - Green Groups and some individuals, mainly Lantau residents, raised concerns on a proposed spa and resort development at Cheung Sha. The primary concern was that that South Lantau will lose its current tranquil and relaxing atmosphere. Most were concerned about the potential environmental impacts (eg. sewage, visual, etc.) and

traffic impacts on the existing area and adjacent beach. Some were concerned that this would set off a chain of similar developments along the south coast

5.2.6 Key transportation concerns included:

- accessibility
- water transport can also be provided to relief land-based traffic congestion
- provide convenient transportation arrangement between the resort and the urban areas of HK

5.2.7 Other concerns/suggestions include:

- Competition with and/or co-operation opportunities with adjacent locality, such as the Pearl River Delta Region, Guangdong and Macau
- the spa and resort should not be only restricted to overseas tourists, but also for locals
- how resort operators can cooperate with tour groups and the future management and maintenance of the sites
- suggested more land be made available for spa and resort development
- should improve socio-economic status of local areas
- the proposed developments require local support and local community should be involved at early development stage
- lack of trained staff in HK and training facilities: human resources issues such as payrolls, visa or working permits of staffs, staff expertise and specialty would need to be resolved.

Consultant's Response:

All the concerns raised are considered to be valid. For any specific development or project to be carried out, detailed assessment in respect of environmental, transport, and economic aspects would need to be carried out. From the case studies, we are aware that each specific site is subject to its own development opportunities and constraints and appropriate environmental mitigation measures and transport solutions would need to be worked out to cater for the specific project. The Government's support in respect of providing facilitation and training regarding the required human resources would help to promote the spa industry.

Implementation issues: Economic Viability

5.2.8 There was general support and interest from the industry stakeholders and developers. Due to the remoteness of possible sites for spa and resort development, some members of the public were concerned that the proposed developments would require a high level of investment into support infrastructure (eg. sewerage, drainage, electricity, gas, power supply, etc.). This may become a major hindrance to interests from the private sector. Land premium was a major concern to developers as they could see that this may affect the viability of the developments.

Consultant's Response:

The consultants advised that initial research and financial assessments have shown that there is a business case for resorts. The private sector will have to undertake their own research in this respect for other sites they identify.

Implementation issues: Role of Government

- 5.2.9 Some members of the public felt that the Government should not utilise public funds and resources to study and support what would inevitably be a wholly commercial private sector operation.
- 5.2.10 Some members suggest that any new development initiatives, spa and resort facilities included, should be demand driven and private sector-led, and as such, the role of the Government should be confined to that of a facilitator by responding to the market at the right moment. The key success factor is a flexible planning framework within which new market demand can be accommodated as quickly and efficiently as possible.
- 5.2.11 Other suggestions from the public included:
- suggested public and private joint ventures
 - suggested Government to assign a party to co-ordinate the projects and fast track liaison and obtaining approval from different departments
 - suggested Government to provide infrastructural support and incentives for private participation
 - a policy and programme is needed urgently in driving the initiatives

Consultant's Response:

The Tourism Commission commissioned the study with the objective to identify whether there is potential for spa and resort development in Hong Kong, the sort of considerations that will need to be addressed, as well as the opportunity for private sector involvement and possible implementation mechanisms. This study has sought to effectively help to identify the potential of this new tourism product (spa resort development) and the sort of considerations that will need to be addressed. The government has no intention of competing with developers or 'interfering' with the market but only 'facilitating' the industry for this new tourism product by conducting market research and study. This provides the private sector some baseline information as if how spa and resort development could be successful and financially viable in Hong Kong.

The Tourism Commission is a co-ordinating party within government to oversee tourism developments in Hong Kong. The Tourism Commission will continue to play the facilitating role in encouraging the private sector to further explore proposals for spa and resort facilities in Hong Kong.

Suitable Sites for Spa and Resort Development

- 5.2.12 Some members have presented/suggested various development proposals for other sites within Hong Kong. These are located in Sai Kung, Lantau Island and Northern NT. Members queried whether there are only three suitable sites in Hong Kong for spa and resort development.

Consultant's Response:

The three case studies made in the study are not exhaustive. They are only selected examples and it is recognised that other viable sites may exist. This study has identified the three potential sites for future development as case studies in establishing the potential of spa and resort development in Hong Kong. This does not rule out the possibility of developing other sites within Hong Kong. The private sector would be welcomed to submit individual proposals and technical assessments for various suitable sites and these will be reviewed by relevant authorities.

For any specific development or project to be carried out, detailed assessment in respect of land use planning, environmental, transport, social and economic aspects would need to be carried out and detailed feasibility study would need to be conducted. Besides, all proposed developments would need to go through all relevant statutory process. Environmental issues would need to be addressed carefully, in particular for those proposals being proposed at environmentally sensitive area. The requirements under the Environmental Impact Assessment Ordinance would need to be carefully observed.

For some of the proposed sites, such as Fau Lau, Lo Kei Wan and Pak Lap, they are located within area currently without vehicular access and with limited infrastructure support. The remote location and environmental sensitive nature of these areas are the major constraints to future development.

- 5.2.13 Some members suggested that single and small scale development may not be attractive enough and suggested that a "cluster" mode of development should be considered.

Consultants' Response:

The Study did not aim to recommend the ways to transform Hong Kong into a spa and resort destination but rather to enhance the diversity of Hong Kong's attractions through developing spa and resort facilities. The 100-300 rooms development is very common and popular in the region. The location to accommodate large-scale and multi-storey hotels could not be identified easily.



Case Studies

5.2.14 Three case studies were selected as pilot studies for spa resort development. The key public comments on each are outlined below.

Case Study 1: High Island Detention Center, Sai Kung

- suggested Tai Long Wan West site instead as there is currently a high dam adjacent to the detention centre
- suggested to provide more high profile developments within the eastern parts of Hong Kong. Sai Kung is the optimal place of choice as it is convenient in both water and land transportation
- there are other potential sites within Sai Kung which can be further explored for the development of spa resort facilities
- the site has no natural beaches. The high dam block the scenic view on one side
- the environmental impact of the site is likely to be less than the other two case studies.

Case Study 2: Cheung Sha Beach, South Lantau

- may pose adverse environmental impacts on the coastal environment. ie. Cheung Sha beach
- there is currently a lack of sewage infrastructure provision. Upgrading works have no confirmed programme
- the Lantau South area is of limited accessibility because of the restricted road and permit system
- Lantau has land with good water quality. Cheung Sha Beach has a nice surrounding and with proper management, the environmental impacts are likely to be acceptable
- Cheung Sha is protected by adjacent hills and has better environmental standards than other districts. With its warmer environment, it could lengthen the period for swimming or diving

Case Study 3: Tai A Chau, Soko Islands

- remote location to offer a true "Retreat"
- the site would be dependent on marine access
- the site would require substantial investment on the basic infrastructure.
- subject to further financial viability assessments

Consultant's Response:

The comments are consistent with the observations in the study. It was agreed that the High Island site is subject to less environmental concerns and in terms of availability of existing infrastructural facilities, this site is superior to the other two sites as well. There seems to be diverse views over the Cheung Sha site. Local residents, Green Groups and some individuals, mainly Lantau residents, raised environmental concerns while some members consider that the scenic view of the site and the beach make the site with good potential for development. The Concept Plan of Lantau would take into consideration spa and resort facilities in a coherent manner with other departments in Lantau Island and would be included in the next stage of the Plan. As for the Tai A Chau site, we agreed that the financial viability should be a major concern.

6. CONCLUSION AND WAY FORWARD

- 6.1.1 Hong Kong has the potential ability to develop spa and resort facilities in view of its political stability, well-maintained law and order, high hygiene standard, lower risk of natural disaster, availability of scenic locations (such as outlying islands and countryside areas) as well as world class infrastructure, especially when comparing with other spa and resort destinations in the region.
- 6.1.2 However, Hong Kong will need to differentiate from its labour intensive competitors in the region, by offering unique and value-added facilities like traditional Chinese Medicine and Medical/Clinical based spas (comparable to Swiss' health and beauty treatments), as well as offering supporting facilities such as conferences facilities, to ensure the viability of the development. Golf facilities will also enhance attractiveness, but it may not be easy to find suitable sites for the purpose. A recognizable brand name will be essential to attract visitors and assure them of the quality of the product.
- 6.1.3 As to the scale of development, the Consultant indicates that a critical mass of accommodation and complementary facilities would be required to ensure financial viability. This normally amounts to 300 or more rooms with full back of house facilities. Some operators may prefer to offer boutique facilities for the niche market. This approach may run a greater risk but can generate higher returns.
- 6.1.4 Regarding the potential sites for the development of spa and resort facilities, the Consultant considers that the sites should have a stimulating setting, visual containment and interesting outlook. It should be well-served by road or sea transport. Adverse environmental impacts should be avoided as far as practicable. Readily available infrastructural facilities will be essential in view of the high construction cost for such facilities
- 6.1.5 It is Government's pressing intention to promote diversity in the range of tourism attractions and facilities that can be offered to visitors and the Hong Kong Public. This will not only provide benefits to the economy but help to make Hong Kong a more interesting and diverse tourist destination. The spa and resort facilities could also help target the family segment for Hong Kong tourism to supplement the existing day spa facilities which mainly target the business segment.
- 6.1.6 The local market is in fact very responsive to market demand. A number of proposals for spa resort type of hotels and tourism-related resorts have been proposed by various parties in the private sector. The recently completed Hong Kong Disneyland Hotel is featured by its Victorian Spa. The Ocean Park has announced its Redevelopment Plans. Under the Redevelopment Plans, Ocean Park is exploring the development of three hotels including the Summit Spa and Resort Hotel, at the headland above Tai Shue Wan with 250-350 rooms, targeted at high-end visitors. Private sector initiatives are in fact currently underway to enhance and upgrade existing resorts or to develop new resorts. At the end of the day the market will drive the sustainability of either upgrade or additional, entirely new resort facilities.
- 6.1.7 The Consultancy Study has provided useful groundwork which is hoped to stimulate private sector interest. The findings of the Consultancy Study has formed a good basis for private sector to conduct further research in developing plans on spa and resort developments in Hong Kong. Private sector is encouraged to come up with its own proposal for the Government's consideration. Yet, this is of important that for any specific development or project to be carried out, detailed assessment in respect of land use planning, environmental, transport, social and economic aspects would need to be carried out and detailed feasibility study would need to be conducted. A successful project would need to be supported by the public.

- 6.1.8 While the private sector may explore sites other than those in the case studies, the case studies and views collected through the consultation exercise should help interested parties to focus attention on issues which are likely to be of importance, i.e. environmental, financial viability, etc. Through the case studies, different approaches of development at specific sites have been explored, which demonstrate sound business cases. While the local community in general supports the development of spa and resort facilities, the environmental issues would need to be taken into consideration carefully for any spa and resort development.
- 6.1.9 Regarding the role of the Government, we note the public comments that any initiatives for spa and resort development should be demand driven and private sector-led. We share the view of the public that any such development should continue to be market driven. We are also aware of the comment that the Government should only play a facilitator's role in the process. This is indeed Government's intention. The Tourism Commission will continue to play the facilitating role in encouraging the private sector to further explore proposals for spa and resort facilities in Hong Kong.
- 6.1.10 While the private sector is encouraged to explore their own proposals, it is of importance to ensure an open and fair process, and any private proposals will be considered by the Government in accordance with the established procedures, including town planning process, public consultation and environmental impact assessment, etc.

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Acknowledgements

We would like to thank all parties involved in the study process. These have included, but not limited to residents, district councilors, green groups, academics, professional institutes, key industry players such as Hong Kong Federation of Hotel Owners, Hong Kong Hotels Association, the Real Estate Developers Association of Hong Kong, major resort developers, Ocean Park Corporation, HK Jockey Club Kau Sai Chau, major local hoteliers and tourism-related private operators. We would also like to thank various government bureaux and departments.