

BUSINESS

AIRPORT CAPACITY HITS SAMUI HOTEL BUSINESSES

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THE NATION

The hotel business in Samui is facing tough times due to inadequate airport capacity and overdevelopment, according to C9 Hotelworks, a consulting firm.

"Hotels have been added to the island over the past four years, but the boom has undermined supply-demand fundamentals and strongly impacted last year's operating performance," managing director Bill Barnett said last week.

According to its latest report, "2010 Samui Hotel Market Update", warning signs clearly point out that the lack of clarity over airport expansion or relocation plans remains the critical unanswered question.

Private sector development has surged ahead of needed transportation infrastructure improvements, which has propelled the market into a tailspin.

A compelling situation has emerged where the island sits within an international flight corridor that requires low-level landings. Environmental controls in turn have resulted in a restrictive ceiling of 36 flights a day.

Compounding the problem is a limited runway length, which inhibits larger aircraft from using the airport.

"Private operators and hotels say the biggest problem in Samui is airport capacity, which is controlled by a private company," he said.

Many Hong Kong tourists want to come to Samui but they cannot get flights, while the cost of air transport to the southern island is too expensive even for Thais.

The hotel business in other destinations like Phuket had dropped during the political crisis last year, but they returned fast as many airlines could put up flights on local international routes as well as charters.

Samui's international arrivals were neutralised by diminishing European tourists and a drop in the volume of historically strong repeat guests in the year past.

The decline was registered in occupancy by 7 per cent, average room rates by 15 per cent and revenue per available room or RevPAR by 26 per cent compared to 2009.

Forward-trading prospects are bolstered with the island earning high marks for a fresh supply of stylish, branded products in the luxury and upscale tiers.

In the short term, there is an inherent risk of being lost in transition over the next few years.

This uncertainty is highlighted by the ability of the market to absorb 801 rooms scheduled to enter the supply side by next year, or 5-per-cent growth over the 14,401 rooms at end of last year.

Brands that have newly opened or will soon enter the resort island are W of Starwood, Conrad, Dusit, Banyan Tree and Movenpick, he added.