



# SAMUI STAYS AFLOAT

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Tourist numbers may be falling,  
but the outlook is optimistic  
*By Nina Suebsukcharoen*

**W**hile images of deadly clashes in Bangkok have gone around the world, the fallout for tourism to the country's premier resort islands, Phuket and Samui, has not been as bad as feared so far, says Bill Barnett, managing director of C9 Hotelworks.

While holidaymakers are not completely shunning the two islands, his discussions with top hoteliers reveal that the pace of hotel bookings has slowed down.

Although dismay and uncertainty fill the air, Mr Barnett remains optimistic about the long-term outlook of Thai tourism even though the country is now heading into unknown political territory.

"Thai tourism is like a gorilla in a cage — sometimes because it has such a great product and such high levels of demand that while short-term there are going to be significant issues for tourism, eventually the value cycle is going to restart," says Mr Barnett.

"Every time something happens, whether it be Sars or the Asian tsunami or the global financial crisis, any big event like that, what happens is that Thailand eventually recreates itself, it regenerates the value cycle because it drops rates.

"They simply offer value — when it becomes cheap enough for people to come back, when it becomes an offer you can't refuse people, the cycle becomes faster."

As protests and confrontation in Bangkok become more ferocious, people are now saying 2010 can be written off, but Mr Barnett remarked that hoteliers and other businessmen cannot write off a whole year because they have to operate their businesses.

"So it is going to be interesting. You are going to a territory where regardless of whether it's a big five-star hotel in Bangkok or property developers and hotel operators in Phuket or Samui, they have to work out how they are



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going to manage this challenge from day to day.

"So I think there is a lot of fluid thinking in the marketplace and I think different people will try different things — we will see what emerges."

Nevertheless, the strong impact of politics on tourism is underscored by C9 Hotelworks' latest Samui Hotel Market Update, which shows that tourist arrivals on the island were down by 23% in the first half of 2009 due to political concerns.

While there was an uplift in the second half of the year, the island was unable to restore hotel performance to 2008 levels.

The research also shows that international arrivals to Samui dropped by 37% in 2009 compared with the previous year, while international and domestic aircraft movements contracted by 18% and 8% respectively.

Aside from political concerns, Mr Barnett revealed that a key problem that Samui faces is a distinct lack of international flights, with domestic flight traffic representing 91% of all air traffic to the island during 2009.

Although Bangkok Airways has upgraded its privately owned airport on the island, restrictions limit flights to 36 per day. These restrictions centre on environmental and noise controls in addition to the limits on the hours

### Samui hotel occupancy 2009 vs 2008

	Change
Luxury	▼ 6%
Upscale	▼ 3%
Midscale	▼ 1%
Budget & economy	▼ 25%

POSTgraphics

in which flights can land and take off.

While Bangkok Airways has a controlling stake in Samui's airport and continues to dominate the traffic, Thai Airways does have limited domestic services. Bangkok Airways is looking to increase international services but no confirmed routes have been finalised.

Inadequate air access affects hotel room occupancy on the island because supply jumped by 4%, or 665 rooms, in 2009 to reach a total 16,069 rooms.

More hotels are to open this year and next year, among them are:

- Hansar Koh Samui at Bo Phut with 74 rooms;
- Bayan Tree Samui at Lamai with 78 rooms;
- W Retreat Koh Samui at Mae Nam with 75 rooms;
- Infinity Residences and Resort at Bang Po with 55 rooms;
- Conrad Koh Samui Resort and Spa at Thong Krut with 79 rooms;
- Vana Belle Resort and Spa (Starwood Luxury Collection) at Chaw'aeng with 180 rooms.

Mr Barnett mentioned that the increased concentration of top hotel brands on the island is outpacing other developments

"You don't see other demand generators,

you are not seeing multiple golf courses, you are not seeing tourist attractions, you are not seeing marinas go in — when tourists go there there is nothing else for them to do."

The lack of tourist attractions affects overall tourism on the island because there was a shift from long-haul European visitors to regional markets last year. Some of the biggest growth markets for this island last year were Indonesia, India, Malaysia, Eastern Europe and the Middle East.

"Regional tourists need attractions. They want the big shopping malls, they want to go to a water park, they have different needs and they are not like the traditional long-haul European customers," he said.

"Whereas I think Phuket has had some success in drawing repeat guests who come a few times during the year, with Samui they are not going to come a few times because they don't have enough to do. They are not going to go to Koh Samui three times a year under the existing circumstances."

Although Samui has some of the finest resort rooms in the country, with some terrific hotels opening there, and these new rooms are arguably much more up-market than on Phuket, the difference is that the island has the hardware but lacks adequate software.

Mr Barnett also knows that there are a number of additional hotel projects at the planning stage in Samui. Good-sized development plots for hotels are also available on the island, and these are currently being marketed.

A key transaction to watch is the defunct Lehman Brothers plot at Ban Taling Nam. It is being handled by an agency in Singapore and the result is likely to be known shortly.

"There is still liquidity in Thailand," says Mr Barnett. "Despite the political events there are people who want to develop property, who want to develop a hospitality component, so I think there will be more new hotel development." ■