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SPEECH BY MR TEH CHEANG WAN, MINISTER FOR NATIONAL DEVELOPMENT AT THE
OPENING OF THE PAVILION INTER-CONTINENTAL HOTEL ON
SATURDAY, 20 NOVEMBER 1982 AT 5.30 PM

I am happy to be here this evening for the official opening of the Pavilion Inter-Continental.

The Pavilion is the largest hotel so far built on a URA Sale Site. It is a fine example of what the Government has hoped to achieve in encouraging the development of the hotel-and-tourist industry. Looking at this uniquely-designed hotel, I am persuaded that the Pavilion will contribute towards upgrading the standard of tourist services and facilities in Singapore.

I need hardly mention that tourism is an important pillar of our economy. Ten years ago, tourist expenditure represented nine per cent of our Gross National Product. In 1981, the figure increased to 13.5 per cent. Tourism is thus among the fastest growing sectors of our economy. Indeed, despite the world-wide recession, our tourist industry continues to flourish. I am told that the average monthly tourist arrivals in Singapore was 212,000 between the years 1979 and 1981. For the first three-quarters of this year, however, the monthly average has increased by 15 per cent to 244,000. Another indicator of the health of the industry is the hotel occupancy rate. Although this rate declined from 85.7 per cent for the period from 1979 to 1981, to 80.8 per cent for the first three-quarters of this year, the decline is very mild considering the drastic slow-down in the economies of many countries from where our tourists come, and considering the fact that the total number of hotel rooms in Singapore has increased by 5.6 per cent over the first three quarters of this year. Furthermore, I am told that more business travellers stay for long periods and choose to stay in rented apartments rather than hotels. I would also imagine that

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while the number of holiday tourists may increase, their period of stay in Singapore may be shorter during these times of recession.

The current world recession provides a timely opportunity for us to consolidate and upgrade the facilities and services which we can provide for tourists. The corner-stone of the Government's policy on tourism is to encourage the building of hotels with good service and reasonable rates. The Government releases URA sites for hotel development and approves private proposals for such development. The Government's active encouragement of the hotel industry can be seen from the fact that while it took many years for us to reach the present total number of 15,800 hotel rooms, it will take just another four years for this number to increase by two-thirds to 26,300 by 1986. The 10,500 new hotel rooms by 1986 will be adequate to meet the expected growth of visitor arrivals in Singapore up to the second half of the 1980s.

Some members of the hotel industry have gone so far as to contend that there may be a serious glut of hotel rooms in the near future. I do not agree with them. I believe that the trend in the construction of hotels is no different from that for the construction of housing and office space. Such construction activity generally follows a logical chain of events constituting a normal economic cycle, as follows: when there is a shortage of hotel rooms, hotel rates increase and the quality of service declines. (The last few years in fact witnessed such a phenomenon). The increase in hotel rates and decline in quality of service in turn results in a rush to build more hotels to take advantage of the profitability in the hotel industry. This in turn brings about a relative oversupply of rooms and hence, a drop in room rates and a rise in the quality of service. This effect is only to be expected since competition for hotel guests in an oversupply situation would spur hotel owners to try to outdo each other. Better services and lower rates would eventually encourage more tourists to flock into Singapore. A shortage of hotel rooms will then occur all over again, thus completing a full cycle and triggering off a new one. The net effect of these cyclical movements is to keep tourism in a state of continuous expansion.

The Government's role in this cycle of events is to provide the spark for the engine of tourism in the form of a dynamic Tourist Promotion

Board which works closely with hotel managements to attract more tourists. On their part, hotels have to endeavour to keep room rates at reasonable levels without sacrificing the quality of service in order to induce tourists to stay and return again and again to Singapore.

In the last 15 years, the hotel industry has been concentrated in a distinct Orchard Road hotel belt from Tanglin Road to Clemenceau Avenue. This pattern of development had the multiplier effect of creating a shopping and entertainment centre with intense tourist activity along the Orchard Road belt.

In the 1980s, however, we will see the emergence of a new hotel belt which promises to be even more dynamic than the present one. This new belt will encompass Bras Basah Road including Raffles City, Coleman Street and Marina Centre. At present, this area has about 950 hotel rooms. In another four years, there will be 7,300 rooms including three modern hotels with 2,080 rooms at Marina Centre and another two huge hotels with 2,100 rooms in Raffles City.

By 1990, I believe this new belt will become a very important part of the renewed city, with a distinct personality of its own. It will be a hive of tourist activity, shopping, entertainment, commerce, finance and administration. With the MRT, access to this new part of the city will increase by leaps and bounds. A rich variety of human activity will fill the air in this area, both day and night. Indeed, a varied and vibrant range of human activity is an integral part of our vision for the City. The hotel industry which will be boosted by the blossoming of a second hotel belt in the 1980s will play an immensely important part in this vision.

On this note of optimism for the success of the hotel-cum-tourist industry, it now gives me great pleasure to declare open the Pavilion Inter-Continental.
