



Hainan

Travel & Tourism Development Potential 2011-2021

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FOREWORD

IN DECEMBER 2009, CHINA'S STATE COUNCIL ANNOUNCED AMBITIOUS PLANS FOR HAINAN – THE LARGEST SPECIAL ECONOMIC ZONE (SEZ) IN CHINA AND ITS ONLY TROPICAL ISLAND PROVINCE – TO ELEVATE IT INTO A WORLD-CLASS INTERNATIONAL TOURISM DESTINATION BY 2020.

Despite the challenging economic environment, Hainan is well on track to achieve this goal. WTTC's economic impact research, conducted in association with Oxford Economics, indicates that progress – in terms of Travel & Tourism's contribution to economic growth – has been extremely impressive over the past few years. And our forecasts suggest the growth is set to continue.

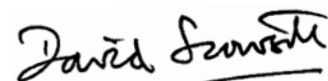
With 12.6% average annual growth in tourism expenditure (visitor exports) expected over the 10-year period 2011 to 2021 (or 16.4% in nominal terms), Hainan is predicted to outperform all the world's national economies by this measure, with visitor spending reaching Rmb110.8 billion (79.9%) by 2021. This rapid growth would propel Hainan into first place in WTTC's League Table rankings – in terms of 10-year annual real growth.

The main driver of this growth will be Travel & Tourism investment, which is already estimated to have reached Rmb76.3 billion, or 50.9% of total capital investment, in 2011. This should rise by 9.5% per annum to reach Rmb189.1 billion – or 53.2% of total investment – by 2021. This massive investment in infrastructure, hotels and resorts, as well as in product development, coupled with a commitment by the Hainan Provincial Government to focus on Travel & Tourism as a strategic priority, should continue to drive leisure and business travel demand, firmly establishing Hainan at the centre of the world tourism stage.

Nevertheless, there is no room for complacency, especially given the continuing economic uncertainties in many of the world's leading Travel & Tourism source markets. While the Hainan Provincial Government clearly recognises Travel & Tourism's strategic importance, every effort must be made to nurture the industry to ensure it develops sustainably. As detailed in this report, it will require careful monitoring and control on the part of the government, not to mention close collaboration with the municipal authorities and the private sector.

WTTC stands ready to work with you to help you achieve your vision – for the benefit of all Hainanese, as well as for your province's Travel & Tourism industry and the many millions of tourists who flock to your shores.

On behalf of WTTC's Members, many of whom are already becoming key stakeholders in Hainan's Travel & Tourism, I congratulate you on your achievements so far and wish you every success for the future.



David Scowsill
President & CEO
World Travel & Tourism Council



EXECUTIVE SUMMARY

THE GROWING IMPORTANCE OF TRAVEL & TOURISM TO CHINA'S HAINAN PROVINCE IS INDISPUTABLE. SIGNIFICANT STRIDES HAVE ALREADY BEEN MADE TO PUT THE NECESSARY INFRASTRUCTURE IN PLACE TO SUPPORT THE FORECAST GROWTH THROUGH THE MEDIUM TO LONGER TERM. NEVERTHELESS, THE BIG CHALLENGE NOW IS TO ENSURE THE RIGHT KIND OF GROWTH TO ENSURE SUSTAINABLE DEVELOPMENT.

The Government of Hainan Province of the People's Republic of China clearly recognises Travel & Tourism's potential economic and social contribution. Yet the extremely rapid development forecast, in line with plans to turn Hainan into an international resort destination, needs to be very carefully monitored. If not, there is a risk of excessive, uncontrolled supply-side growth, which could undermine Hainan's full Travel & Tourism potential.

The baseline forecasts for Hainan Province are extremely positive and there is every reason to believe that they will be easily achieved – as long as development is controlled. The massive growth in investment – in infrastructure, hotels and product development – coupled with an increased focus by the Hainan Provincial Government on Travel & Tourism as a strategic priority, will help to drive growing leisure and business travel demand, propelling Hainan onto the world stage as a leading international tourism destination.

The fact that Hainan is a relatively unknown destination, offering different tourism products and a novel holiday experience, and that it is widely perceived to be a safe and secure destination for tourists, will undoubtedly increase its appeal.

A rich diversity of attractions and tourism resources

Primarily known for its stunning coastline and beach resorts, Hainan Island offers a wealth of other attractions that are expected to prove increasing draws for visitors – international as well as domestic. China's southernmost province – which was only designated as a province in its own right in 1988 and, soon after, became one of China's Special Economic Zones (SEZs) – boasts a rich cultural heritage, with three important ethnic minorities, the Li, Miao and Hui, playing a significant role in its colourful history.

Most importantly, in terms of its potential for sustainable tourism development, the island is blessed with an abundance of natural resources – from its sun-kissed, palm-lined beaches, waterfalls and hot springs, to its extinct volcano crater and tropical mangrove and rain forests, home to more than 4,600 kinds of flora and fauna and over 570 wildlife species. All these attractions must also be seen in the context of Hainan's tropical climate, ideal for year-round leisure and business tourism, including meetings, conferences and corporate-sponsored incentive trips.

It is not surprising that Hainan has already been dubbed the 'Hawaii of the East'. Yet few destinations around the world, let alone Hawaii, offer such a variety of attractions and opportunities for outdoor recreation, nature-based tourism and sporting activities – in addition to providing the ideal environment for complete relaxation in one of its growing number of upscale resorts.

As is often the case in destinations where the growth potential is so strong, and in order to avoid mistakes made in other parts of the world, considerable care must be taken by the provincial authorities and the private sector to ensure controlled development – so that the growth in Travel & Tourism achieves a healthy balance between business imperatives, the preservation of cultural heritage, protection of the natural environment and, last but certainly not least, the well-being and prosperity of local communities.

An extremely favourable environment for investors ...

The Hainan Provincial Government's focus on Travel & Tourism development, which started in earnest around the mid-1990s, has been stepped up significantly over the past few years, and particularly following a declaration in December 2009 by the Chinese Government that Hainan Island had been earmarked to become an international island resort, on a par with world-renowned destinations such as Hawaii and Bali.

Thanks to the national and provincial authorities' support in terms of building the necessary infrastructure, as well as new tourism products and attractions, leading international hotel brands have been quick to partner with the largely Chinese investors and developers to establish a presence on Hainan Island and ensure a slice of the expanding tourism cake.

As an SEZ, Hainan has also benefited from a number of favourable policy measures, aimed at facilitating and accelerating tourism development and investment. These include optimising the destination's appeal through the granting of visa-free status for selected markets and duty-free shopping for Mainland Chinese as well as foreigners.

Both Chinese and foreign airlines are vying with each other to gain traffic rights for new domestic and international services, and cruise lines are queuing up to tap the latent market demand for Hainan as a port of call, or even to base their cruise ships at Sanya's Phoenix Island cruise terminal. They are also being joined by an increasing number of other tourism stakeholders, like tour operators and retail travel agents, plus suppliers of services, such as yacht maintenance and repairs.



... attracting huge interest from many different stakeholders ...

All this augurs well, of course, for Travel & Tourism's future growth. Indeed, no other destination in the world – whether province or country – has attracted such huge interest from so many different players, including virtually all the leading international hotel brands, in such a short space of time.

Among the many different mega-developments already underway are some of the world's most groundbreaking tourism projects – such as Sanya's Phoenix Island, Hainan's first ecotourism centre in the Nanshan Mountains, and the Wenchang Space Centre and Theme Park, attached to China's fifth Satellite Launch Station due for completion in 2015.

... but this in turn creates potential risks

Yet with the massive scramble among investors and developers to establish a presence on Hainan Island, in order to reap the promised rewards resulting from the forecast rapid growth in Hainan's Travel & Tourism, there is a danger – and, indeed, some signs of this are already evident – that overly ambitious growth will overcome common sense, generating unhealthy competition between the different municipalities, which could result in excessive, uncontrolled and unsustainable development.

It is important for the Hainan Provincial Government to ensure a carefully planned, island-wide approach, ensuring a spirit of co-operation and co-ordination among the different stakeholders, not to mention the best interests of the local population at all times. It would make sense to call on outside experts, such as world-famous theme park developers, as well as non-governmental organisations (NGOs) and agencies specialised in responsible tourism, to support the government's efforts.

This will help ensure that Travel & Tourism does achieve the higher-end goals of sustainable development – contributing to natural and cultural heritage protection and preservation, as well as poverty alleviation.

REALISING HAINAN'S TOURISM POTENTIAL

Long-term, co-ordinated planning is critical – especially in terms of HR needs

In order to achieve, or perhaps even surpass the baseline forecasts – which point to an annual average growth of 9.5% in terms of Travel & Tourism investment and 12.6% in visitor 'exports' (in Hainan's case, non-resident visitor expenditure including fares) from 2011 to 2021 – certain key factors need to be assured.

Most importantly, these include a well-planned, co-ordinated, and carefully implemented sustainable tourism development strategy, significant investment in education and training to provide the human resources critical to coping with the growth in demand, sustained and effective marketing and promotions, and in-depth market research to achieve optimum product and market diversification.

Additional measures suggested in this report are intended to set the stage to help ensure the larger rewards that Travel & Tourism can bring to Hainan Province over the short, medium and longer term. The following provides a summary of WTTC's main conclusions and recommendations.

Tourism Policy

Benefiting from central government support

The Hainan Provincial Government, with the support of the central government authorities, has made concerted efforts to pave the way for Hainan's development as an international tourism destination – in the context of making Hainan an export-oriented economy following its designation as an SEZ.

The State Council decree detailing the development of Hainan into an international tourism destination included six specific strategies:

- Developing Hainan into a pilot region for China's tourism industry reform
- Building the island into a world-class leisure travel and holiday tourist destination
- Establishing a demonstration zone for China's ecological development
- Making Hainan an important platform for international economic co-operation and cultural exchanges
- Developing resources in the South China Sea, and
- Developing Hainan into a service base as well as a modern national tropical agricultural base.

Importance of agricultural products for tourism

The further development of agriculture will be extremely important in boosting Travel & Tourism's contribution to the province's gross domestic product (GDP) since, for the time being, the bulk of Hainan's agricultural produce – such as tropical fruits – are exported to Mainland China. This means that the new, upscale hotels are forced to import a large proportion of all the fruits and other fresh food they serve to their guests – not only an expensive proposition, but also one which reduces Travel & Tourism's positive economic impact. Increased self-reliance in terms of agriculture and fishing is clearly a worthy goal.

Increasing policy measures to attract new tourism demand

Hainan has made every endeavour to develop tourism as well as other service industries since its policy of opening up the market was first adopted. As an example, it was the first province to

introduce visa-free entry into Hainan and loosen restrictions on airlines' rights to operate flights to the province. As a result, the island has the most 'open' skies in the whole of China.

In addition, the central government allowed Hainan to develop duty-free shopping – not just for foreigners but also for Mainland Chinese. As the results have already demonstrated, this is proving a major draw – especially among Mainland Chinese – generating a surge in arrivals growth since 2010. A second duty-free store opened at the end of 2011 and new outlets are being developed/planned.

Recommendations:

- Ensure that Travel & Tourism is factored into mainstream policies for employment, trade, investment and education, ensuring that the underlying policy framework is conducive to sustainable growth.
- Promote Travel & Tourism's impact – and its potential future impact – across the wider economy, as well as its strategic importance as a catalyst for other industries and entrepreneurial activity.
- Measure the economic impact of Travel & Tourism by developing a Tourism Satellite Account, communicating results to all levels of government, industry and local communities.
- Improve understanding within government and the local industry of Travel & Tourism demand trends by continuously monitoring market trends and behaviour, so as to ensure that the development of supply better meets marketplace needs.
- Organise regular meetings and workshops, bringing together all stakeholders in Hainan's Travel & Tourism – from within and outside Hainan Province – to review recent developments, discuss challenges and identify new opportunities for growth and diversification.

Tourism Planning

A sound long-term strategy ...

The decision by China's State Council to develop Hainan into an international island resort destination was largely based on the foresight of the Hainan Provincial Government, with the valuable contribution of the Hainan Provincial Tourism Development Commission (HTDC), in drawing up a sound, achievable strategy for tourism development.

Some 20,000 hectares of land were put aside for tourism projects, including shopping complexes, theme parks, other attractions and resort developments. During the 12th Five-year Plan period, 2011-2015, more than 15 major tourism resorts and around 65 five-star-plus hotels are scheduled to be completed.

... but one not necessarily respected at municipal level ...

At provincial government level, there is clear recognition of the need for sustainable tourism development, and this underlies all policy and planning. Yet, while there is close collaboration between the Hainan Provincial Government and the HTDC, as well as between the Commission and the private sector – notably, with regard to the operation of resorts and attractions – there appears to be much less communication and co-operation with, and between, the different municipalities, which are directly responsible for individual tourism projects in their respective regions.

... resulting in a lack of co-ordination

This is of some concern since it points to a lack of co-ordination with regard to overall planning, as well as a lack of clarity in terms of the number and size of projects across the island and related human capital needs. Without this information, updated on a regular basis, there is a strong chance that the risk of problems resulting from excessive development, such as water shortages and inadequate human resources, will not be fully appreciated.

It also means that the provincial government will be less able to adapt development plans promptly to changing market conditions – a common occurrence in the Travel & Tourism industry worldwide.

Recommendations:

- Establish a dedicated unit to keep close track of all municipal development plans, as well as to monitor, anticipate and adapt overall development, including human resource needs, to changing trends in Travel & Tourism demand.
- Upgrade marketing and promotions to match prevailing competitive approaches, ensuring the HTDC operates in partnership with the different municipalities and the private/operating sector, co-ordinating all promotional efforts, thereby encouraging the buy-in of all stakeholders and achieving more cost-effective campaigns and activities.
- Encourage market and product diversification that balances support for traditional markets such as sun & beach and golf, while avoiding over-dependence on these markets.
- Market and promote more effectively to avoid excessive concentration of demand in time and space, and to increase demand in other segments and areas so as to spread the benefits of tourism to all parts of the island and province.

Government Expenditure

Strong commitment in terms of infrastructure development

Nowhere else in the world has either the provincial/local or state government authorities made such a strong commitment to Travel & Tourism development as in Hainan, ensuring that the basic infrastructure is firmly in place before handing over plots of land to developers/investors for their individual hotel or other projects.

By way of example, Sanya Municipality expects to have invested some Rmb200 billion by 2020 in the infrastructure required for Haitang Bay, including a hospital and medical services, schools, public entertainment facilities, a sports stadium, conference centre and a host of other facilities and services – in total, some 102 resort infrastructure projects, or the highest number of any resort in China.

Air access, roads – and even a new high-speed train link – water and electricity supply, pollution-free waste-water collection and solid waste treatment facilities are all critical, and the Hainan Provincial Government's support in providing this infrastructure has clearly been a major factor in attracting investment for hotels and attractions.

Importance of sustained government support and funding

The quantitative analysis that was part of this economic impact study shows that the Hainan Provincial Government allocates some Rmb1.6 billion of its total expenditures to providing Travel & Tourism services. Government collective spending, in support of general tourism activity, includes tourism promotion, visitor information services, administrative services and other public services.

A detailed breakdown of this spending is not available but WTTC's analysis suggests that it has benefited from double-digit increases annually since 2005 – and by as much as 21.5% in 2008 and 56.8% in 2007 – reflecting the importance attributed to Travel & Tourism.

A projected increase of 12.6% a year over the current decade should help ensure that government collective spending on tourism services, marketing and promotion, will raise Hainan's tourism profile, keeping the destination in the spotlight to its competitive advantage over the coming years.

Human Resources

A diversified economy

As discussed in more detail in the following section on Competitor Analysis (page 18), Hainan is a diversified economy, with agriculture accounting for the highest share of employment, at around 50%, according to statistical data supplied by the Hainan Provincial Government. Wholesale and retail's share is about 10%, with a high share of consumer spending being attributable to the incomes of people not employed in the Travel & Tourism sectors. As an example, hotel & catering services' employment accounted for only 4.4% of total employment in 2009.

Travel & Tourism directly supports around 10% of total employment

WTTC estimates that Travel & Tourism in Hainan directly supports some 438,000 jobs in 2011, or 9.9% of total employment, and the number is forecast to rise by 8.4% a year to 983,000 jobs (18.0%) by 2021.

The total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry – such as in construction, catering, supply services, immigration and customs, etc – is currently estimated at 1.3 million jobs, 28.6% of total employment, and is forecast to increase by 7.4% a year to 2.6 million (47.6%) by 2021.

While both the direct and total contributions of Travel & Tourism to employment compare favourably with those of China overall – 2.5% and 8.6% respectively in 2011, rising to 2.7% and 9.2% by 2021 – as well as with other leading tourism destinations in the Asia Pacific region, eg Fiji, they are not surprisingly a lot lower than for many of the tourism-intensive small islands in tropical locations around the world. By way of example, in 2011, the direct and total contributions were 23.9% and 56.4% respectively for the Seychelles, 29.4% and 55.1% for the Bahamas, 13.6% and 29.8% for Mauritius, and 42.8% and 78.0% for Macau.

Needless to say, the reasons for these differences are two-fold: first, they are more established tourism destinations; and second, their economies are almost exclusively dependent on Travel & Tourism, while Hainan Province still has a more diversified economy.

The forecast growth in employment will not meet the growth in demand

Although the growth is relatively impressive, it falls well short of the expected growth in visitor expenditure and arrivals – of around 12-13% in both cases – strongly suggesting that future employment in Travel & Tourism will not be sufficient to meet the industry's growing needs and ensure sustainable development.

Indeed, there is already a serious lack of qualified, trained personnel for the Travel & Tourism industry, due both to the fast pace of development and with the large number of new hotels coming on line, as well as to the current inadequate levels of university and vocational courses to provide the required workforce. Existing hoteliers at internationally branded hotels, for example, that they invest heavily in staff training, only to lose middle to senior management to the competition when new properties come on line – in some instances for just a modest increase in monthly salary.

Although new university-level and vocational training courses have been introduced, and more are planned, and government has invested Rmb10 million in vocational training in schools, the efforts made so far are not expected to make any serious impact. Another major concern is that, according to local and international hoteliers, Hainanese families do not like their children, especially their daughters, working in the tourism and hospitality industry. And, since salaries are relatively low, this contributes to further discouraging young people from entering the industry.

Recommendations:

- Promote a positive image of the Travel & Tourism industry among members of government, in schools and with the public as a provider of career opportunities for all Hainanese, in addition to just jobs.
- Place education and training at the forefront of Travel & Tourism development, expanding facilities for tertiary education in the sector and introducing Travel & Tourism into the secondary school curricula.
- Ensure that formal education and vocational training systems are adapted to the rapidly changing human resource needs of the industry, covering a variety of skills and customer service.
- Recognise Travel & Tourism's potential to provide jobs for young people, first-time job seekers, minority groups and retired people, or working mothers looking for part-time employment.
- Recognise that Travel & Tourism employment, in addition to providing jobs in the main cities and mega-resorts, can also include working in small businesses and local communities throughout the country.
- Bridge the gap between the education authorities and the industry, and establish public-private sector liaison groups to plan ahead for the future human resource development needs of the industry.

Transport Infrastructure

Ensuring that Travel & Tourism's benefits spread to all parts of the island

The Chinese, and especially the Hainanese, authorities must be commended for their initiative in developing all modes of transport on the island, both to ensure efficient communications but also to try to spread the benefits of Travel & Tourism's growth across the island, to all levels of the population.

Many different transport infrastructure projects have already been fully or partially completed, including a major upgrading and expansion of Haikou Airport, the addition of a new runway and renovation work at Sanya Airport, the new high-speed East Ring Intercity Rail Link between Haikou and Sanya, and the development of the cruise port. Numerous other smaller projects are under development, or on the drawing board, designed to boost Travel & Tourism demand and facilitate travel across Hainan.

New airport confirmed

The Chinese authorities have also given the green light for an airport project in the city of Qionghai close to the city of Boao – known as the Qionghai Boao City Airport. The airport, expected to open in 2015 at a cost some Rmb945 million (US\$146 million), will have a capacity of 3,190 flight movements, 290,000 passengers and 725 metric tons of cargo annually.

Although the new airport is expected to handle domestic and some scheduled regional air services, it will also focus on private, corporate jets, thereby facilitating access to the now famous annual Boao Forum that brings together state leaders, government officials, businessmen and academics from across Asia and other parts of the world. The Forum aims to promote regional economic integration.



Open Markets and Skies

Leading the way in China

As already indicated, the Hainan Provincial Government, supported by the central government, has already made significant strides in opening up Hainan to new markets, both in terms of foreign trade and in airline access. This is reflected in the fact that Hainan now has the most open skies of all provinces in China.

Nevertheless, there are some areas in which more could be done to boost Travel & Tourism demand, attract leading international tourism players to Hainan, and encourage year-round tourism.

Recommendations:

- Continue to pursue and open up air transport markets and expand liberal aviation accords to attract new scheduled services, as well as introducing new incentive schemes to encourage year-round operators.
- Develop fiscal regimes that encourage tourism growth, exports, investment, infrastructure, business innovation and job creation.
- In order to ensure a continuing high level of consumer safety, build safety and security provisions into Travel & Tourism strategies, especially in terms of overall policing and consumer protection.

Market and Product Diversification

Huge opportunities for new, higher-yield products ...

In response to the forecast growth in number of sun & beach enthusiasts expected to holiday in Hainan – all looking for entertainment as well as relaxation – there are an unprecedented number of theme parks and attractions being constructed in different parts of the island, aimed primarily at the domestic market.



For both Chinese and foreign tourists, Hainan is already focusing on further developing specific niche market segments, notably golf tourism, cruise business and, increasingly, surfing. Golf has already proved to be a major draw, helping to put Hainan on the world map in terms of major golf events. And while in their infancy, cruise business and surfing are expected to grow significantly over the next few years.

In addition, however, Hainan has an unparalleled opportunity to develop innovative tourism products and experiences that would help promote and protect its natural and cultural resources, as well as generating higher yields than for mass sun & beach tourism.

Given the relatively small size of the province, government and the industry cannot afford to make the mistake of selling the country too cheaply – just to compete with lower-cost destinations and gain a quick return on investment. Admittedly, hotel/resort prices at peak demand times – such as during official Chinese holidays – are extremely high. But the arrival of so many new hotel rooms could result in increased competition and encourage rate cuts, as has been the experience in other destinations around the world, thereby harming Hainan's image and making it that much harder to attract the higher-yield tourism it deserves.

... such as nature-based tourism ...

The great diversity and richness of Hainan's natural resources – including its inland forests, extinct volcano and numerous green areas – offer significant possibilities for special interest, nature-based tourism. In addition, the province has a wide range of cultural attractions, with a heritage reflecting many centuries of fascinating history. These should all be promoted widely.

... meetings and incentive business ...

Although growing, in line with the development of new conference centres – notably the recently opened Haikou International Convention & Exhibition Centre – the meetings, incentives, conferences and exhibitions (MICE) market is relatively untapped in Hainan.

Admittedly, the many large events – both business and leisure – that the province is increasingly attracting are starting to make a major impact. But leading hotels report a maximum of 30% of roomnights as a result of MICE

business, with MICE accounting for an even lower 10-20% share in Sanya. This is clearly about to change with the opening of so much MICE capacity, and will likely address some of the seasonality problems affecting Hainan's Travel & Tourism economy. However, the government and the HTDC can do a lot to support the industry's efforts in tapping these new opportunities.

Recommendations:

- Encourage greater market and product diversification in order to avoid over-dependence on sun and beach markets, as well as to increase yield;
- Establish a dedicated Hainan Convention Bureau to co-ordinate all meetings, incentives, conferences and exhibitions (MICE), whether business or leisure events, for Hainan's different municipalities;
- Closely monitor the development of theme parks and other attractions, encouraging the use of experts with regard to construction, operation and marketing and promotions, to ensure consistent quality so as to enhance Hainan's image as a high-yield international resort destination.

Marketing and Promotions

Creating new brand awareness

Experience has shown that demand for any tourism destination grows sharply if marketing and promotions are well funded and effective. A competitive, sustained promotional campaign is critical for Hainan so as to clarify and enhance the country's image in traditional and emerging source markets. At the same time, it would also raise awareness of the importance of Travel & Tourism to the provincial and local economies, as well as the spin-off to all the different stakeholders.

Until now, the main focus on promoting Hainan appears to have been on developing the concept of 'the Hawaii of the East', or the 'Asian Hawaii'. Even the official logo of Hainan is almost identical to that of the Hawaii Visitors & Convention Bureau. Yet Hainan has so much more to offer visitors and should be promoted as a brand in its own right – especially if one of its goals is to attract international visitors.

Admittedly, the situation may be different in China since one of the leading destinations on the Chinese 'wish list' is Hawaii. And this may be a good way of enticing Chinese away from exotic foreign destinations. But this tactic would not be good for the long term.

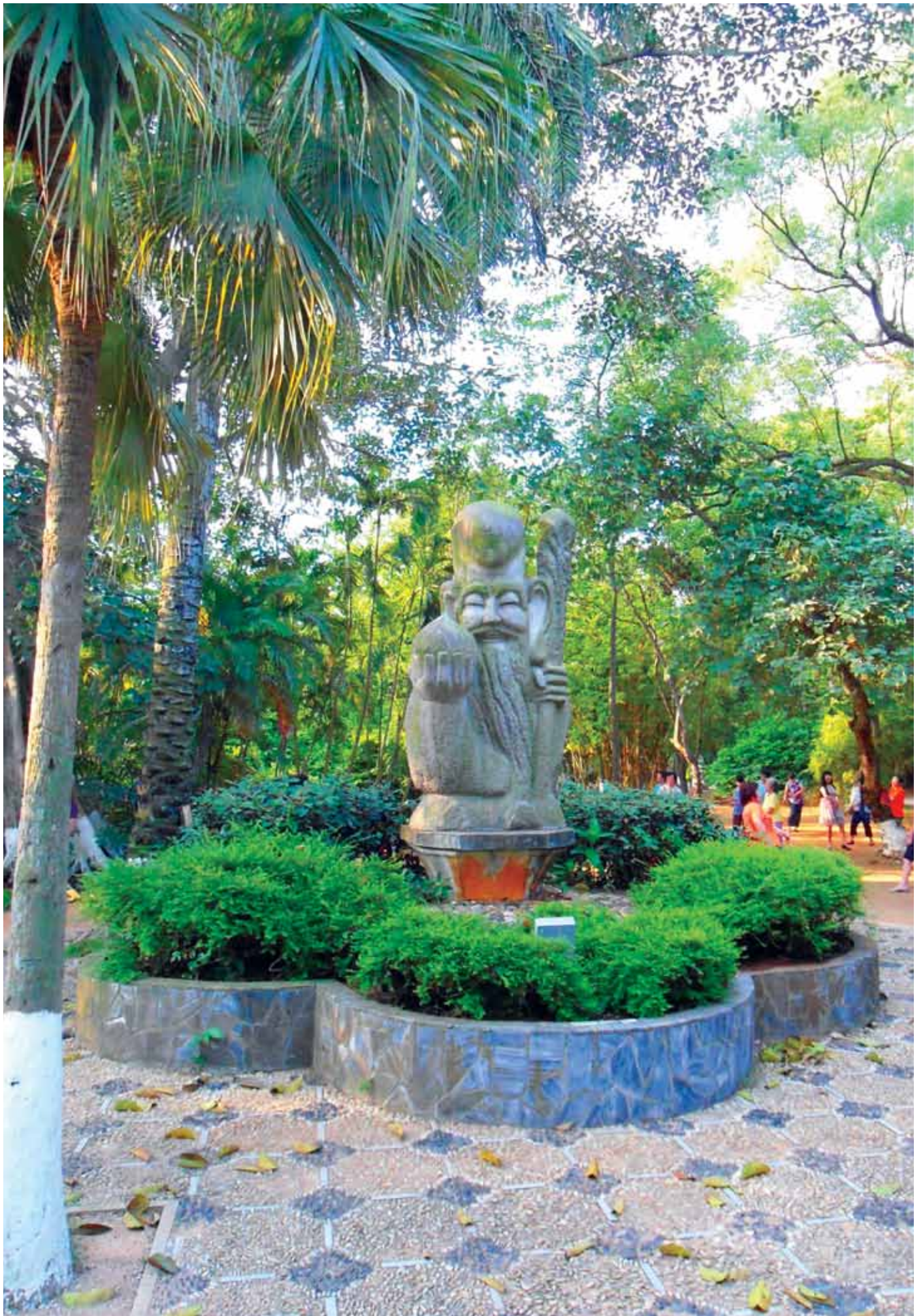
Promoting Hainan abroad

HTDC has significantly stepped up its marketing and promotional activities in recent years, ensuring a presence at leading domestic and international travel fairs and exhibitions, and conducting workshops and roadshows in selected markets in all key regions of the world, meeting with outbound tour operators, airlines and other stakeholders.

So far, marketing has been mainly trade focused but more consumer advertising is planned, including TV spots through CNN and the BBC. This is being made possible by an increase in marketing budget, which rose during the 11th Five-year Plan period (2006-2010) from less than Rmb1 million a year to an annual average of Rmb20 million.

Investment in effective marketing and promotion of Hainan as an international tourism destination is critical to ensuring sustained demand from existing sources and to generating new demand. It is also important to emphasise Hainan's rich variety of attractions that cater to a wide range of tourism tastes and budgets, and to reinforce the potential for year-round tourism.

Particular attention needs to be paid to overcoming the old image of Hainan Island among Mainland and Overseas Chinese as an over-priced, low-quality, poor-service destination.



Online marketing

Hainan's new, official website, being developed by the HNA Group, was scheduled to be up and running by early 2012. It will comprise three sites – an intranet for internal purposes; a site for the government aimed primarily at the trade; and one for consumers.

The main site is being funded by government and will include visitor information and in five languages: English, Russian, Japanese, Korean and Mandarin. It will also include a booking engine and the HTDC will take a commission on all sales.

Recommendations:

- Develop a new brand image for Hainan that reflects its many varied attractions and opportunities for diversified tourism activities, and differentiates the destination from Hawaii and other competitors.
- New markets and different consumer segments should be targeted and promoted in the framework of a medium-term Marketing Plan.

Natural, Social and Cultural Environments

A rich heritage worthy of protection and preservation

Hainan has a major advantage over many of its direct competitors: its natural and cultural environment is relatively unspoilt and offers huge potential for sustainable tourism development.

Conveying environmentally and culturally friendly policies, promoting voluntary accreditation schemes for the industry, and outlining best practice in tourism development, are all important steps that need to be taken to protect the country's main resources from over-development and exploitation.

At the same time, the Hainan Provincial Government and the operating sector can influence the development of new tourism infrastructure and products to protect and promote the character of the local environment, developing authentic tourism products that are unique to the country and its culture.

Recommendations:

- Establish clear policies and guidelines for planned and sustainable tourism expansion across the country.
- Monitor carefully areas of risk such as inadequate water supply, so as to avoid problems experienced in other major resort destinations, and anticipate and plan ahead with regard to consumption, waste and resource utilisation, in order to meet the projected growth in Travel & Tourism demand while protecting natural resources.
- Closely monitor local food supplies to ensure that, as tourism grows, the increased demand for food will not put excessive strains on local agricultural produce such as fish stocks in and around Hainan.
- Promote the sustainable development of Travel & Tourism as a policy across the entire industry/country, not just as a policy for rural and nature-based tourism.
- Introduce pilot projects to evaluate and demonstrate local sustainability.
- Ensure that the socio-economic, cultural and environmental benefits of Travel & Tourism are spread equitably across the population in all parts of the country, and recognise the need for local community engagement and empowerment.
- Develop and promote a national heritage designation with clearly defined criteria to support quality. Accompany this with increased government funding for the development and promotion of identified areas of particular heritage value, focusing on national and international designations.

ECONOMIC CONTRIBUTION

IN 2011, HAINAN'S TRAVEL & TOURISM INDUSTRY DIRECTLY CONTRIBUTED:

438,000
jobs representing 9.9% of total
EMPLOYMENT.

Rmb **19.0** bn
(US\$282 mn) of
GROSS DOMESTIC PRODUCT (GDP)
equivalent to 8.5% of total GDP.

HOWEVER, SINCE TRAVEL & TOURISM TOUCHES ALL SECTORS OF THE ECONOMY, ITS TOTAL CONTRIBUTION WAS EVEN GREATER. HAINAN'S TOTAL TRAVEL & TOURISM CONTRIBUTION AMOUNTED TO SOME:

1,268,000
jobs representing 28.6%
of total EMPLOYMENT.

Rmb **77.5** bn
of GROSS DOMESTIC PRODUCT (GDP)
equivalent to 34.8% of total GDP.

Rmb **33.9** bn
VISITOR EXPORTS or non-resident
visitor expenditure including fares
equivalent to 59.2% of total EXPORTS

Rmb **76.3** bn
of CAPITAL INVESTMENT
or 50.9% of total INVESTMENT.



GROWTH

IN 2011, TRAVEL & TOURISM IN HAINAN REGISTERED REAL GROWTH OF:

14.5%

in TRAVEL & TOURISM'S DIRECT CONTRIBUTION to GDP to Rmb19.0 bn, and 26% to Rmb 77.5 bn, in its TOTAL CONTRIBUTION (including indirect and induced impacts)

10.0%

in TRAVEL & TOURISM'S DIRECT CONTRIBUTION to EMPLOYMENT to 438,000 jobs and 8.6% to 1.3 mn jobs, in its TOTAL CONTRIBUTION (including indirect and induced impacts)

OVER THE NEXT TEN YEARS, FROM 2011 TO 2021, HAINAN'S TRAVEL & TOURISM IS EXPECTED TO ACHIEVE ANNUALISED REAL GROWTH OF:

13.6%

in TRAVEL & TOURISM'S DIRECT CONTRIBUTION to GDP to Rmb68.2 bn, or 12.4% of total GDP, by 2021

12.7%

in TRAVEL & TOURISM'S TOTAL CONTRIBUTION to GDP to Rmb 255.1 bn, or 46.2% of total GDP, by 2021

8.4%

in TRAVEL & TOURISM'S DIRECT CONTRIBUTION TO EMPLOYMENT or 983,000 jobs, 18.0% of total employment, by 2021

7.4%

in TRAVEL & TOURISM'S DIRECT CONTRIBUTION TO EMPLOYMENT or 2.6 mn jobs, 47.6% of total employment, by 2021

12.6%

in VISITOR EXPORTS (non-resident visitor spending) rising to Rmb 110.8 bn by 2021

9.5%

in terms of CAPITAL INVESTMENT increasing to Rmb 189.1 bn, or 53.2% of total investment, by 2021

COMPETITOR ANALYSIS

A sharp rise in Travel & Tourism's direct and total contribution to GDP ...

- The direct contribution of Hainan's Travel & Tourism is estimated at Rmb19.0 bn for 2011 (fiscal 2010/11), or 8.5% of GDP, and it is forecast to rise by 13.6% a year to Rmb68.2 bn (12.4%) in 2021 (fiscal 2020/21), in constant 2011 prices.
- Travel & Tourism's total contribution to GDP – including its indirect and induced impacts – is projected to increase by 12.7% per annum, from Rmb77.5 bn (34.8% of GDP) in 2011 to Rmb255.1 bn (46.2%) by 2021.
- If it were a country, this growth in Travel & Tourism's total contribution to GDP would propel Hainan up the WTTC League Table ranking – from 54th position in 2011 to 13th in 2021.
- As reflected in the League Table Rankings in Appendix I, Hainan's closest country competitors (apart from China itself), in terms of the growth in Travel & Tourism's contribution to GDP over the current decade, will be Thailand, India and Vietnam.



... as well as to overall employment

- In 2011, Hainan's Travel & Tourism directly supported an estimated 438,000 jobs (9.9% of total employment), and these are forecast to rise by 8.4% per annum to 983,000 jobs (28.6%) by 2021.
- The total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, is forecast to increase by 7.4% a year from 1.3 mn jobs (28.6% of total employment) in 2011 to 2.6 mn (47.6%) in 2021.
- As a result of this growth, Hainan will likely rise from 30th to 19th place in the Employment League Table ranking.
- In 2011, Hainan outranked both Hong Kong SAR and Macau SAR in terms of number of jobs supported by Travel & Tourism but, given their respective sizes, the province ranked behind leading Asian resort destination countries such as Indonesia, Thailand, Vietnam and Malaysia.
- No data is available to compare Hainan province with individual states or islands in the respective countries.

Already a leading world Travel & Tourism economy in terms of visitor spending ...

- If Hainan Province were a country, it would already have ranked 8th in the world in terms of Travel & Tourism's relative contribution to total exports (59.2%) in 2011, outranked only by a small handful of island groups, such as the Maldives and Macau SAR (in 3rd and 4th positions) and a few Caribbean states.
- Nevertheless, 'visitor exports' (non-resident visitor expenditure including airfares) in absolute terms were expected to total just Rmb33.9 bn (US\$5.25 bn) of the total value of the outflow of goods and services in 2011.



... climbing to number one position, in terms of growth, by 2021

- With 12.6% average annual growth forecast over the 10-year period 2011 to 2021 (or 16.4% in nominal terms), Hainan is expected to outperform all the world's national economies by this measure, with visitor spending reaching Rmb110.8 bn (79.9%) in 2021.
- This rapid growth would result in a further rise up the World League Table ranking, propelling Hainan into first place – in terms of 10-year real growth per annum.
- Close contenders in the Asian region are expected to be Thailand, Vietnam and Japan.
- China's visitor exports, by contrast, are forecast to grow by a more modest 4.9% per annum.

Growth driven primarily by massive investment in Travel & Tourism

- Travel & Tourism investment in Hainan Province is estimated to have reached Rmb76.3 bn, or 50.9% of total capital investment, in 2011. And this should rise by 9.5% per annum to reach Rmb189.1 bn (or 53.2%) of total investment by 2021.
- In terms of the relative contribution of Travel & Tourism investment to total capital investment, Hainan would already have ranked 15th among all world national economies in 2011, but the phenomenal growth forecast will fast-track Hainan into the world's top slot (in terms of average annual growth) by 2021.
- By comparison, China was ranked in 8th position in 2011, with forecast growth over the 10-year period 2011-2021 of 8.5%.
- Other leading economies, in terms of Travel & Tourism investment growth, are expected to be Thailand, India, Malaysia, Macau SAR, Vietnam and Indonesia.



Importance of Travel & Tourism's indirect contribution

- The composition of Hainan's total Travel & Tourism contribution is relatively unique in terms of the scale of the indirect contribution, relative to Travel & Tourism's direct contribution.
- The two main components of the large indirect contribution are the high level of Travel & Tourism investment and the rising level of supply-chain spending within Hainan associated with internal Travel & Tourism consumption (see Appendix II).





TRAVEL & TOURISM IN HAINAN



OVERVIEW OF RECENT TRENDS AND DEVELOPMENTS

China's Hawaii?

A new tropical destination with enormous potential

For centuries Hainan was part of Guangdong Province, but was designated a province in its own right on 26 April 1988. Subsequently, no doubt in recognition of its potential for economic growth through tourism, this resource-rich tropical island was declared a Special Economic Zone (SEZ) by Chinese leader Deng Xiaoping – the largest SEZ in China – benefiting from preferential development policies, as well as incentives for businesses investing in the island.

Hainan has often been called the 'Hawaii of the Far East', or the 'Chinese Hawaii'. It is indeed China's only tropical beach location, lying at the same latitude (18°N) as the Hawaiian Islands. But it only really started to focus in earnest on developing tourism in the mid-1990s. This was probably due to the fact that, before then, the Chinese themselves were not avid travellers – let alone sun & beach enthusiasts.

Indeed, there was little awareness internationally of Hainan's potential as a tourism destination until it hosted the Miss World competition for the first time in 1997, at the newly opened Sheraton Sanya – the first internationally branded hotel in the province. Hainan had traditionally been almost 100% dependent on agriculture, with its main resources being fish, fruit and pearls.

First Master Plan completed in 2002

The first Tourism Development Master Plan was completed in 2002, with the support of the World Tourism Organization (UNWTO). Tourism development on the island appeared to be relatively slow, if steady, through most of the first decade of the century. Tourism investment and demand picked up considerable steam after China's State Council declared, in December 2009, that Hainan Island was to be elevated into an international resort island destination.

By this time, the Government of Hainan Province of the People's Republic of China (hereafter referred to as the Hainan Provincial Government) had updated the Master Plan (in 2008), had completed much of the necessary infrastructure for the first major new resorts, and had attracted a number of big investors in the island's tourism – many of whom, in turn, had secured partnership agreements with international hotel groups for the operation of hotels and resorts.

The staggering pace of development

Over the last few years, the pace of development has been staggering – whether in terms of hotels/resorts, attractions or infrastructure projects like the island's high-speed East Ring Intercity Rail Link – and this is not expected to ease for at least a decade. Hainan is now firmly on the world tourism map.

HAINAN'S ATTRACTIONS

China's smallest and southernmost province

Hainan is the smallest province of the People's Republic of China (PRC) in terms of land mass, but the largest including its marine territory, which comprises some 200 islands scattered among three archipelagos off the southern coast, extending to the Paracel (Xisha) and southern Spratly Islands, and other (disputed) marine islands. Nevertheless, 97% of its land mass is Hainan Island (Hainan Dao), from which the province takes its name.

Separated from Guangdong's Leizhou Peninsula to the north by the shallow and narrow Qiongzhou Strait, China's southernmost province covers an area of 33,920 square kilometres and has a population of some 8.8 million. Hainan Island includes eight major cities and ten counties. Haikou, on the northern coast, is the capital (population 830,000) while Sanya (around 580,000) is the most popular tourism destination, located on the south coast. The other major cities are Wenchang, Qionghai, Wanning, Wuzhishan, Dongfang, Danzhou and Boao.



More than just sun and beaches

Sandy beaches make up about 50-60% of Hainan Island's 1,528-kilometre coastline, with the majority up to hundreds or thousands of metres wide, stretching gently into the ocean. Located alongside an unruffled sea, with crystal-clear water at temperatures of between 18°C and 30°C, in bright and abundant sunlight, most of its beaches are ideal for year-round swimming, sunbathing and water- and beach-based sports and other activities.

Among these is surfing, which is excellent on the east coast at Riyue Beach and Shimei Bay, Wanning, 112 kilometres north of Sanya and 139 kilometres south of Haikou on the east coast of the island. This whole area is considered to be such an ideal surfing spot, in fact, that it was selected to be the host this year of China's first ever world-sanctioned professional surfing event, organised by the Regional Association of Surfing Professionals (ASP).

Along the eastern coast there are also mangroves and coral reefs unique to tropical coastal regions, which attract divers from around the region and, increasingly, long-haul markets.

Hainan boasts a rich variety of natural resources and attractions ...

But Hainan Island is much more than just sun, beaches and water sports. The island is also noted for its singularly shaped volcanic mountains, many of which are tourist attractions themselves, as well as summer resorts. The mountains are covered in dense tropical primeval forests, such as the four best-known virgin forest regions of Mount Jianfeng in the country of Ledong County, Mount Bawang in Changjiang, Mount Diaoluo in Lingshui and Mount Wuzhi in Qiongzong.

Hainan Island is criss-crossed by limpid rivers. Winding streams, deep pools, stunning waterfalls and mirror-like reservoirs dotted in the mountains and virgin forests enhance the landscape and provide major attractions for tourists. Past volcanic eruptions have left many craters on the island, two of which are located on Mount Shuangling with an elevation of over 200 metres in Shishan, Qiongsan City. The nearby craters of Leihuling and Luojingpan are also well preserved. In addition, there are a number of 'karst' caves, such as the well-known Luobi (Pen-dropping) Cave in Sanya, Qianlong (Thousand Dragon) Cave in Baoting County and Huangdi (Emperor) Cave in Changjiang.



Hot springs can also be found across the island. Due to their low mineralisation, high temperatures, large flows and consistent quality, many of the hot-spring waters have curative properties. Moreover, they are all located in places with attractive landscapes, providing excellent conditions for developing holiday resorts for combined tourism/sightseeing and medical or wellness treatments.

... including wildlife, flora and fauna ...

To protect rare birds and animals, several wildlife reserves have been established in Hainan, including the Bawangling Black-crested Gibbon Reserve in Changjiang County, the Datian Slope Deer Reserve in Dongfang, the Dazhou Isle Esculent Swift Reserve in Wanning City, and the Macaque Reserve on the Nanwan Peninsula in Lingshui County, known as Nanwan Monkey Island.

Established in 1965, Monkey Island is now home to more than 2,000 macaques. Its popularity is due to its namesake primates – and it is China's largest area for raising and training monkeys – although 100 other species of animals and several hundred species of native plants make the island more than just a tourist trap. Monkey Island also has the longest over-water cable car in China, spanning 2,138 metres.

... a rich historical and cultural heritage ...

The island has many interesting historical – and historic – sites, such as the Wugong (Five Revered Officials) Temple in memory of five renowned court officials of the Tang (960-1279) and Song (618-907) Dynasties who were relegated to Hainan Island. Before Hainan became a province in its own right, it was a naval base and strictly off limits. And in days of yore, it was a place of exile for criminals and disgraced officials who dared criticise the emperor.

Changsha Town, Wenchang, was the birthplace of Charles Soong who rose to become one of the most prominent people in China during the early Republic of China era (1912-1949). He was also the father of three daughters who all achieved international fame. The eldest, Soong Ai Ling, married Confucian descendant HH King, the richest man in China at the time and a minister in the Republican Government in the 1940s. One of her sisters, Soong Ching Ling, married the Sun Yat Sen, the first President of China following the Xinhai Revolution of 1911. And the third, Soong Mei Ling – perhaps the most famous of all outside China – married Chiang Kai-shek, one of the most renowned political and military leaders of 20th Century China.

Another extremely popular cultural attraction is Nanshan Culture Tourism Zone, located on the coast 40 kilometres southwest of Sanya City. Visitors flock to the area, drawn by the beauty of Nanshan Mountain, but also to see the imposing three-sided Kuan-yin Bodhisattva Buddha statue, completed in 2005, and which is 16 metres taller than New York's Statue of Liberty. The cultural zone also features three theme parks with ornamental gardens and temples: Buddhism Culture Park, Blessing and Longevity Park, and Hainan Custom Culture Park.







Dongzhai Harbour Mangrove Nature Reserve

The Dongzhai Harbour Mangrove Natural Reserve is a new tourist attraction showcasing some 159 bird species, including many rare migratory birds. It is not only a national mangrove reserve, but is also a wetland of international importance especially as a waterfowl habitat. During the winter, the best season for bird watching in Dongzhai Harbour, tens of thousands of birds turn the area into a wonderland. Because of the nourishment the mangroves provide to the swamp, marine animals prefer to spawn and raise their infants here, enjoying the abundant fish, shrimp and shellfish.

The harbour also boasts another natural wonder: villages under the sea. According to historical documents, there was a severe earthquake in 1605 which resulted in 72 villages subsiding into the sea. These have become an amazing underwater sight for divers and even snorkelers.



... and diverse, colourful ethnic minorities

As already indicated, the total population of Hainan Province is around 8.8 million, the large majority of whom are Han. But experts believe that there may be as many as 36 different ethnic minorities living on the island, of which the three largest are the Li, Miao and Hui. They are all very different from the Han people of the Chinese Mainland and have a long history and unique traditions.

The Li people, for example, who first settled on Hainan some 3,000 years ago, live in hamlets of boat-shaped thatched bamboo houses in the mountains. Their women are known for their distinctive, geometric facial and body tattoo art and their unique woven brocades, made from rudimentary equipment while lying down, are the country's oldest cotton textiles.

On Hainan Island, more than 100,000 people speak the language of the Miao, who form one of the largest ethnic minorities in southwest China, of more than 7 million overall. They create a variety of colourful arts and crafts, including cross-stitch work, batik and paper-cuts. And the Hui, who are typically distinguished from other ethnic groups by their practice of Islam, also have some distinctive cultural characteristics as a result, including their cuisine.



VISITOR ARRIVALS AND EXPENDITURE

Double-digit annual growth since 1995

Total visitor arrivals in Hainan fell just short of 25.9 million in 2010, representing a growth of 14% per annum in the 15 years from 1995. The domestic market (Mainland Chinese, including Hainan residents) grew by nearly 15% a year over the 15-year period, while the increase in inbound visitors – foreigners, but also Chinese from the Special Administrative Regions (SARs) of Hong Kong and Macau, plus Taiwanese – was a little less rapid, at 14%, to 663,000. In both cases, average annual growth has slowed slightly since 2005 – to 11% and 12% respectively.

Preliminary estimates for 2011 point to a 15% increase overall to around 30 million, with the Overseas Chinese market up 8-10%.

Visitor arrivals in Hainan, 1995-2009

Arrivals ('000)	1995	2000	2005	2006	2007	2008	2009	2010
Inbound	327.8	486.8	431.9	616.9	753.1	979.3	551.5	663.1
Foreigners	64.5	93.7	269.4	465.7	593.1	731.3	372.1	473.8
Overseas Chinese	263.3	393.1	162.5	151.2	160.0	248.0	179.4	189.3
Hong Kong & Macau	148.8	325.4	106.7	99.5	107.4	168.2	127.4	121.2
Taiwan	114.5	67.7	55.8	51.7	52.6	79.8	52.0	68.1
Domestic	3,282.4	9,588.9	14,732.8	15,433.3	17,702.0	19,620.7	21,951.8	25,210.3
Hainan residents	na	na	5,343.5	5,616.1	6,503.0	7,292.5	8,122.8	na
Other Mainland Chinese	na	na	9,389.3	9,817.2	11,199.0	12,328.2	13,829.0	na
Total	3,610.2	10,075.7	15,164.7	16,050.2	18,455.1	20,600.0	22,503.3	25,873.4

Source: Hainan Tourism Development Commission (HTDC)

Domestic arrivals account for 97% of the total

Mainland Chinese visitors, including Hainan residents, generate more than 97% of the total arrivals count, although the growth in foreign visitors to Hainan has been impressive, and certainly well above the world average. The exception was 2009, when inbound arrivals dropped by a massive 44% – in large part due to a fall in demand from the Russian market as a result of the economic and financial crisis, as well as to financial difficulties of some Russian charter carriers. But they bounced back strongly in 2010 and appear to be well on track to achieving another year of strong double-digit growth in 2011.

Visitor arrivals in Hainan, 1995-2009

Annual growth (%) ^a	1995	2000	2005	2006	2007	2008	2009	2010
Inbound	11.7	8.2	-2.4	42.8	22.1	30.0	-43.7	20.2
Foreigners	21.3	7.8	23.5	72.9	27.4	23.3	-49.1	27.3
Overseas Chinese	9.9	8.3	-16.2	-7.0	5.8	55.0	-27.7	5.5
Hong Kong & Macau	0.1	16.9	-20.0	-6.7	7.9	56.7	-24.3	-4.9
Taiwan	48.0	-10.0	-3.8	-7.3	1.7	51.7	-34.8	31.0
Domestic	28.3	23.9	9.0	4.8	14.7	10.8	11.9	14.8
Hainan residents	na	na	na	5.1	15.8	12.1	11.4	na
Other Mainland Chinese	na	na	na	4.6	14.1	10.1	12.2	na
Total	26.0	22.8	8.5	5.8	15.0	11.6	9.2	15.0

^a 5-year averages for 1990-95, 1995-2000 and 2000-05, annual growth 2006-10

Source: HTDC

The average annual growth in visitor receipts has increased since 2005 – to 15.5% for domestic visitors, and to 16% for inbound tourism.



Similar growth pattern for visitor expenditure

Visitor spending, not surprisingly, has grown in line with arrivals, recording an average 11% increase a year from 1995 to 2010, to Rmb25.8 billion. As the following table shows, the domestic market, up 11.5% over the period, accounted for more than 91%. Spending by inbound visitors showed a slightly more modest growth of 8% per annum – still well ahead of the average for international tourism worldwide, or even just in Asia.

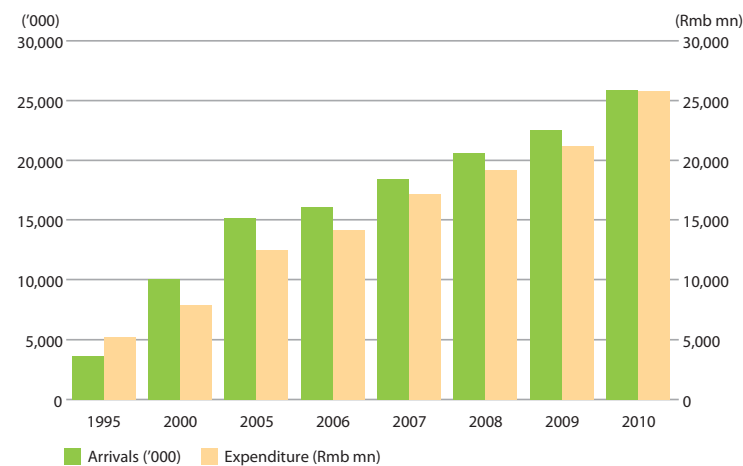
In contrast to the trend in arrivals (whose average annual growth has slowed in the last five years), the average annual growth in visitor receipts has actually increased since 2005 – to 15.5% for domestic visitors, and to 16% for inbound tourism. This is due to the development of more upscale hotels, as well as increased attractions, entertainment and shopping facilities, which have provided tourists more options on which to spend their money. Based on data for the first nine months of the year, 2011 will likely end the year up 12%.

Visitor expenditure in Hainan, 1995-2010

Expenditure (Rmb mn)	1995	2000	2005	2006	2007	2008	2009	2010
Inbound	662	905	1,049	1,786	2,174	2,732	1,890	2,202
Domestic	4,577	6,951	11,456	12,357	14,963	16,501	19,282	23,561
Hainan residents	na	na	4,155	4,497	5,497	6,133	7,135	na
Other Mainland Chinese	na	na	7,301	7,860	9,466	10,368	12,147	na
Total	5,239	7,856	12,505	14,143	17,137	19,233	21,172	25,763
Annual growth (%)^a								
Inbound	662	905	1,049	1,786	2,174	2,732	1,890	2,202
Domestic	4,577	6,951	11,456	12,357	14,963	16,501	19,282	23,561
Hainan residents	na	na	4,155	4,497	5,497	6,133	7,135	na
Other Mainland Chinese	na	na	7,301	7,860	9,466	10,368	12,147	na
Total	66.5	8.4	9.7	13.1	21.2	12.2	10.1	21.7

^a 5-year averages for 1990-95, 1995-2000 and 2000-05, annual growth 2006-09
Source: HTDC

Growth of visitor arrivals vs expenditure, 1995-2010



Source: Oxford Economics

AVERAGE SPENDING AND LENGTH OF STAY

Hainan is seen by domestic tourists as a short-break destination

Average length of stay for domestic tourists was just 3.8 nights in 2010. Moreover, the following table highlights the fact that there has been little change in the length of stay of Mainland Chinese in Hainan over the past five years, or even longer.

Average length of stay of domestic tourists in Hainan, 2005-10

Nights	1995	2000	2005	2006	2007	2008	2009	2010
Hainan residents	2.4	2.4	2.4	2.4	2.9	na	1,890	2,202
Other Mainland Chinese	3.8	3.8	3.9	3.9	3.9	na	19,282	23,561
Overall	3.7	3.7	3.7	3.7	3.8	3.8	21,172	25,763
% annual change								
Hainan residents	0.9	3.0	0.4	-1.2	19.2	na	1,890	2,202
Other Mainland Chinese	2.7	0.5	0.5	0.3	1.6	na	19,282	23,561
Overall	3.4	0.8	1.1	0.3	1.6	0.5	10.1	21.7

Source: HTDC

As more tourism facilities and attractions come on line, one can expect Chinese holidaymakers in Hainan to prolong their stay. But there is nevertheless some concern among hoteliers that Hainan is seen by the more affluent Chinese leisure travellers from the big cities in eastern China as a destination for short breaks rather than for long, annual vacations. And it may require concerted marketing efforts on the part of the Hainan Provincial Government and tourism operators to change this thinking – ie for Chinese tourists to see Hainan as an alternative to exotic international resort destinations.

Average daily spend reflects high share of VFR and unpaid accommodation

As is the case with average length of stay, there has been no significant change in the average daily spending of Mainland Chinese in Hainan over the past five years, according to official statistics, with the total averaging Rmb646.45 per tourist arrival in 2010 (around US\$102). This low average spend would seem to confirm the relatively high share of Chinese staying in their own second/holiday homes/apartments, or visiting family and friends (and whose spending on food and other personal purchases may also not be captured by the authorities).

Average daily spending of domestic tourists in Hainan, 2005-10

Spend (Rmb)	2005	2006	2007	2008	2009	2010
Hainan residents	353.15	355.33	362.29	373.75	386.12	na
Other Mainland Chinese	620.53	621.13	623.91	631.84	657.36	na
Total	602.49	603.72	609.01	618.06	635.16	646.45
% annual change						
Hainan residents	2.8	0.6	2.0	3.2	3.3	na
Other Mainland Chinese	0.1	0.1	0.4	1.3	4.0	na
Total	0.8	0.2	0.9	1.5	2.8	1.8

Source: HTDC

Chinese tourists spend ten times more on a holiday in Hawaii

It is interesting to note – as indicated in the profile of Hawaii's tourism on page 44 – the huge difference in average daily spending between Mainland Chinese visitors to Hainan and Hawaii. Hawaii's visitors (domestic and inbound combined) spent an average US\$1,596 per trip and US\$170 per night in 2010 – as against a mere US\$154 per trip and US\$41 per night for those visiting Hainan.

Interestingly, Chinese visitors were the highest spenders in Hawaii, at US\$350 per night and US\$2,076 per trip – highlighting the fact that Chinese do like spending while on holiday abroad, so could easily be encouraged to spend more in Hainan.

Inbound tourists stay slightly longer ...

Average length of stay of inbound visitors overall is around 4.5 nights. For foreign tourists, in particular, this average masks sharp differences between length of stay in Haikou (2.1 nights in 2010) and Sanya (5.7 nights).

The trend is clearly due to the fact that a far higher share of inbound visitors to Haikou are on business – including trips for conventions, meetings, exhibitions and other MICE events – while Sanya attracts primarily leisure tourists, including corporate-sponsored incentive trips. Average length of stay in Sanya is also inflated by the high share of Russians in the overall foreign visitor arrivals count. Since they are primarily on charter carrier-based package tours, which gives them visa-free access to Hainan, they stay for an average ten days.

Average length of stay of inbound tourists in Haikou, 2005-10

Av no. of nights	2005	2006	2007	2008	2009	2010
Foreign tourists	3.0	2.8	3.9	2.0	2.2	2.1
Tourists from Hong Kong	2.5	2.9	2.1	1.9	2.1	2.4
Tourists from Macau	2.0	2.7	2.0	2.8	1.9	3.0
Tourists from Taiwan	2.5	3.5	2.8	2.9	2.1	2.2
All inbound tourists	2.9	2.9	3.6	2.0	2.1	2.1

Source: HTDC

Average length of stay of inbound tourists in Sanya, 2005-10

Av no. of nights	2005	2006	2007	2008	2009	2010
Foreign tourists	2.9	3.2	3.3	6.4	6.4	5.7
Tourists from Hong Kong	2.9	2.9	3.2	3.0	3.5	3.5
Tourists from Macau	2.7	3.0	4.4	4.4	3.9	3.7
Tourists from Taiwan	2.9	3.7	2.8	4.3	4.2	3.9
All inbound tourists	2.9	3.2	3.3	5.8	5.7	5.1

Source: HTDC



... and spend more per day, especially in Sanya

This far longer-than-average length of stay clearly impacts overall spending, as well as per trip spend, which was around 11% higher in Sanya than in Haikou in 2010, as the following table shows. Perhaps surprisingly, though, the lowest daily expenditure is by visitors from Taiwan, especially those on holiday in Sanya.

Average daily spending of inbound tourists in Hainan, 2005-10

Spend (US\$ per person)	2005	2006	2007	2008	2009	2010
Foreign tourists	146.86	149.34	156.59	169.71	173.18	176.52
Tourists from Hong Kong	149.60	153.14	157.23	167.11	177.06	171.27
Tourists from Macau	147.14	153.52	157.28	126.17	135.68	165.21
Tourists from Taiwan	152.80	154.45	159.01	170.75	176.78	146.81
All inbound tourists	147.48	150.01	156.78	168.48	172.47	173.31
% annual change						
Foreign tourists	1.0	1.7	4.9	8.4	2.0	1.9
Tourists from Hong Kong	0.2	2.4	2.7	6.3	6.0	-3.3
Tourists from Macau	-1.1	4.3	2.4	-19.8	7.5	21.8
Tourists from Taiwan	0.6	1.1	3.0	7.4	3.5	-17.0
All inbound tourists	0.7	1.7	4.5	7.5	2.4	0.5

Source: HTDC

Average daily spending of inbound tourists in Haikou, 2005-10

Spend (US\$ per person)	2005	2006	2007	2008	2009	2010
Foreign tourists	151.37	153.37	146.71	159.02	166.29	165.29
Tourists from Hong Kong	152.89	156.95	168.33	162.47	171.22	172.88
Tourists from Macau	144.39	155.32	158.89	153.74	163.95	164.63
Tourists from Taiwan	151.51	154.52	157.28	155.96	150.93	164.30
All inbound tourists	151.39	153.96	149.52	159.01	165.96	165.82
% annual change						
Foreign tourists	2.5	1.3	-4.3	8.4	4.6	-0.6
Tourists from Hong Kong	2.8	2.7	7.3	-3.5	5.4	1.0
Tourists from Macau	-2.2	7.6	2.3	-3.2	6.6	0.4
Tourists from Taiwan	-0.1	2.0	1.8	-0.8	-3.2	8.9
All inbound tourists	2.1	1.7	-2.9	6.3	4.4	-0.1

Source: HTDC

Average daily spending of inbound tourists in Sanya, 2005-10

Spend (US\$ per person)	2005	2006	2007	2008	2009	2010
Foreign tourists	143.92	147.43	161.39	175.56	176.89	183.25
Tourists from Hong Kong	146.8	149.19	152.45	168.16	178.72	170.85
Tourists from Macau	148.21	144.54	155.66	117.56	124.62	165.35
Tourists from Taiwan	154.74	154.31	160.08	177.01	190.22	142.93
All inbound tourists	144.77	147.76	160.37	173.18	175.7	177.05
% annual change						
Foreign tourists	0.7	2.4	9.5	8.8	0.8	3.6
Tourists from Hong Kong	-2.7	1.6	2.2	10.3	6.3	-4.4
Tourists from Macau	-12.8	-2.5	7.7	-24.5	6.0	32.7
Tourists from Taiwan	0.4	-0.3	3.7	10.6	7.5	-24.9
All inbound tourists	0.7	2.1	8.5	8.0	1.5	0.8

Source: HTDC

Average length of stay in Sanya is inflated by the high share of Russians in the overall foreign visitor arrivals count.

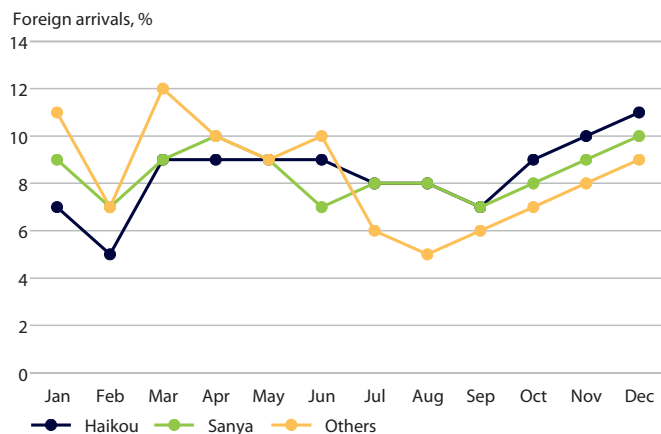
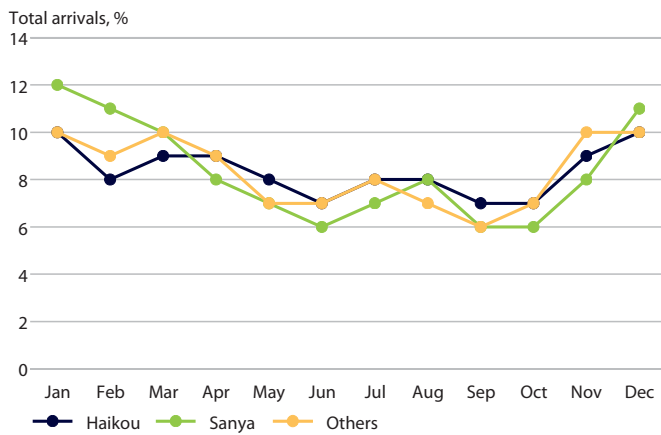
SEASONALITY

Demand peaks during national Chinese holiday periods

A breakdown of 2010 arrivals in Hainan by month confirms that Hainan does not suffer the sharp peaks and troughs that are characteristic in most of the world's major tourism hotspots. But demand is highest from December through March. Interestingly, however, there does not appear to be a sharp peak during official public holidays – the Golden Weeks of the Spring Festival (at Chinese New Year) and in May (commemorating Labour Day) and October (including National Day).

For Sanya, February, June and September attracted the lowest demand in 2010.

Seasonality of arrivals in Hainan by municipality (monthly % share of arrivals)



Source: HTDC

OVERSEAS CHINESE MARKETS

A marked decline since 1995

Although the trend may be due to changes in methodology with regard to statistical data collection, the numbers suggest that visitor arrivals in Hainan by Overseas Chinese – those from

Hong Kong, Macau and Taiwan – are well down on their peak reached in 2000.

There were signs of recovery in 2007 and, more especially, 2008, but the following year saw another dramatic fall in numbers. In 2010, Taiwan recorded strong growth (31%) but there was a further decline for Overseas Chinese from Hong Kong and Macau (-5%).

FOREIGN MARKETS

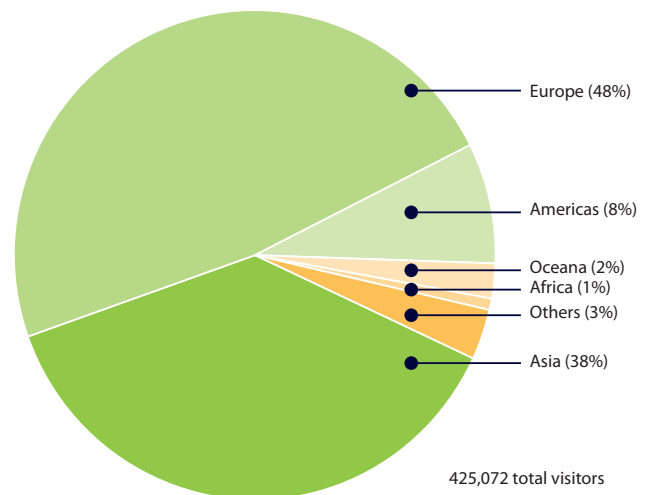
Europeans generate the highest share of arrivals

It should be noted that arrivals are counted by nationality in Hainan, as well as in China generally. This can distort overall trends, notably in the case of foreign markets.

Based on the nationality count of visitors staying in registered hotel accommodation in Hainan (some 10% appear to stay elsewhere), Europeans are the most important source of visitors, generating some 48% of all foreign arrivals (ie excluding Overseas Chinese). However, the majority of Europeans, with the exception of Russians, are estimated to be expatriates living in Asian cities such as Hong Kong, which is only a one-hour flight away. This is also true of North Americans and, albeit to a lesser extent, Australians and New Zealanders.

Asian markets account for a 38% share of arrivals, the Americas for 8% and Oceania for 2%, as the following chart shows.

Breakdown of foreign visitor arrivals by source region, 2010



Source: HTDC

Russia dominates international demand ...

In 2010, the most important source of foreign tourists for Hainan was Russia, which generated more than 148,000 arrivals – 35% of the foreign count and 73% of all European visitors. But the Russian total was still about 15% down on the market's 2008 peak of 175,000.

The main reason for this is that, while some Russians visiting Hainan are upmarket, high-yield visitors – and who, therefore, suffered less from the financial crisis and economic recession of 2008-09 – the majority are from the emerging middle classes, travelling on a fairly tight budget and opting for low-cost charter package holidays to Sanya's Daidonghai Bay hotels. It was this segment of the Russian market that was heavily impacted by the financial and economic crisis of 2008-09, resulting in massive cancellations of holiday travel plans.

Foreign arrivals at star-rated hotels in Hainan by source region and selected markets, 1995-2010

	1995	2000	2005	2006	2007	2008	2009	2010
Asia	na	71,534	153,840	239,708	286,056	258,288	123,745	160,058
Japan	9,310	24,314	27,635	38,291	39,503	36,704	27,481	24,786
South Korea	na	18,401	54,742	132,623	175,213	127,126	23,807	31,737
Singapore	11,254	10,876	16,481	21,272	30,909	34,007	27,820	47,555
Thailand	2,673	3,157	7,564	7,359	7,386	5,604	3,320	5,051
Malaysia	na	9,785	25,396	15,438	10,289	33,167	21,625	27,544
Europe	na	10,386	64,234	143,765	222,607	233,367	124,330	204,023
UK	1,499	1,367	5,249	6,461	17,624	10,421	7,065	6,397
France	698	876	4,601	5,642	6,915	6,986	6,542	8,138
Germany	1,600	2,804	9,710	12,654	12,736	13,479	12,010	17,127
Russia	249	2,187	29,259	85,543	151,104	174,537	79,723	148,411
Americas	na	7,394	21,942	36,600	33,501	33,393	24,398	33,823
USA	5,340	5,401	15,033	19,006	19,802	21,949	16,567	22,375
Canada	1,206	1,446	3,904	5,770	5,969	6,660	5,719	7,930
Oceania	na	1,536	7,175	13,515	13,679	10,250	7,867	9,753
Australia	1,015	1,067	5,755	5,980	6,772	7,009	6,096	7,327
Africa	na	521	1,324	1,783	2,430	2,768	2,728	3,248
Total	64,521	93,823	269,400	465,750	592,098	570,306	304,854	425,072

Note: Excludes Overseas Chinese (visitors from Hong Kong, Macau and Taiwan)

Source: HTDC

Growth in foreign arrivals at star-rated hotels in Hainan (%), 1995-2010

	1995	2000	2005	2006	2007	2008	2009	2010
Asia	na	na	17	56	19	-10	-52	29
Japan	13	21	3	39	3	-7	-25	-10
South Korea	na	na	24	142	32	-27	-81	33
Singapore	11	-1	9	29	45	10	-18	71
Thailand	0	3	19	-3	0	-24	-41	52
Malaysia	na	na	21	-39	-33	222	-35	27
Europe	na	na	44	124	55	5	-47	64
UK	20	-2	31	23	173	-41	-32	-9
France	-1	5	39	23	23	1	-6	24
Germany	5	12	28	30	1	6	-11	43
Russia	5	54	68	192	77	16	-54	86
Americas	na	na	24	67	-8	0	-27	39
USA	20	0	23	26	4	11	-25	35
Canada	29	4	22	48	3	12	-14	39
Oceania	na	na	36	88	1	-25	-23	24
Australia	16	1	40	4	13	3	-13	20
Total	21	8	23	73	27	-4	-47	39

Note: Excludes Overseas Chinese (visitors from Hong Kong, Macau and Taiwan)

Source: HTDC

... and Singapore heads the Asian markets

Singapore is the largest Asian source of visitors and, while arrivals have fluctuated quite sharply on an annual basis – as is the case with most markets – the general trend has been upwards. Direct flights from Singapore to Haikou have helped to boost the market's share, but Singaporean demand generally can be attributed to the fact that a significant share of Singaporeans originally came from Hainan Province, mainly from Wenchang County. So VFR traffic is important, as it is from Malaysia, Hainan's third largest Asian source.

Although there was a near-collapse of the South Korean market in 2009 – due in part to the weakness of the won – this is still the second most important source from Asia. Most other markets also declined in 2009 – although the impact was less significant – and the USA, Canada and Australia proved no exception. But despite this blip in the growth curve, all three have shown a steady increase since 2000.

Exceeding the growth forecasts in the 2008 Master Plan

Foreign arrivals overall surpassed 425,000 in 2010, a 39% increase on the previous year – following declines of 4% in 2008 and 47% in 2009. But the average annual increase since 1995 has been just under 13.5%, rising to 16% in the decade from 2000-10.

This suggests that Hainan will exceed current arrivals' forecasts set by the Hainan Provincial Government in the 2008 Master Plan – of 12.0% from 2009-12, 14.6% from 2012-15, and 10.0% from 2015-20.

MAIN DESTINATIONS

Sanya and Haikou attract the bulk of tourist traffic ...

Although one can expect to see a much broader spread of tourists across Hainan Island in the coming years, as new developments spring up in different locations, the two most important destinations for tourism in Hainan Province until now have been Haikou, the capital, and Sanya, the leading holiday resort. Until late 2010, there were anyway few alternatives with regard to international standard hotel accommodation, despite the flurry of construction activity through 2010 along the east coast.

Among the exceptions are Wanning – now popular and increasingly well-known for surfing at Riyue Beach and Shimei Bay, where there is a five-star Le Méridien hotel – Wenchang (home of the future Space Centre and Satellite Launch) and Lingshui (where a major resort is under development at Qingshui, or Clearwater Bay).

Boao, the water town, located at the east of Qionghai City, is also of growing importance to international tourism as it is home to the Boao Forum Asia (BFA), whose permanent location is on the town's largest island, Dongyu. More than 260

leaders from all over the world have participated in the BFA's Annual Conference, so the venue is understandably equipped with full conference and other facilities, including five-star accommodation and a challenging golf course.

Like Haikou and Sanya, Boao boasts its own airport, although the majority of flights handled are private jets to bring international leaders to the BFA's annual event. However, a decision has now been taken to build a new international airport for Boao (see below), although it is not yet known how much regular international traffic it will attract. As discussed in more detail below, Haikou and Sanya benefit from direct scheduled and charter airline services from key domestic origin points and a significant number of international source markets.

The most important destinations, in terms of arrivals/stays in star-rated hotels, are shown in the following table. It should be noted that some tourists to Hainan stay in more than one destination during their trip, so this inflates the respective counts for foreign and total arrivals/stays.

Arrivals in star-rated hotels in Hainan by municipality, 2010

	Total arrivals		Foreign arrivals	
	('000)	% of total	('000)	% of total
Sanya	7,496.9	39.1	400.5	67.0
Haikou	4,929.5	25.7	132.9	22.2
Wanning	2,650.8	13.8	36.9	6.2
Qionghai	906.0	4.7	13.8	2.3
Lingshui	819.9	4.3	0.1	na
Danzhou	501.4	2.6	1.3	0.2
Wenchang	485.3	2.5	5.8	1.0
Dingan	257.5	1.3	0.5	0.1
Wuzhishan	225.8	1.2	1.2	0.2
Chengmai	203.2	1.1	0.8	0.1
Total incl. others^a	19,171.0	100.0	597.9	100.0

^aTotals do not correlate with those in previous tables – see text for explanation
Source: HTDC

... with Sanya attracting significantly more hotel guests than Haikou

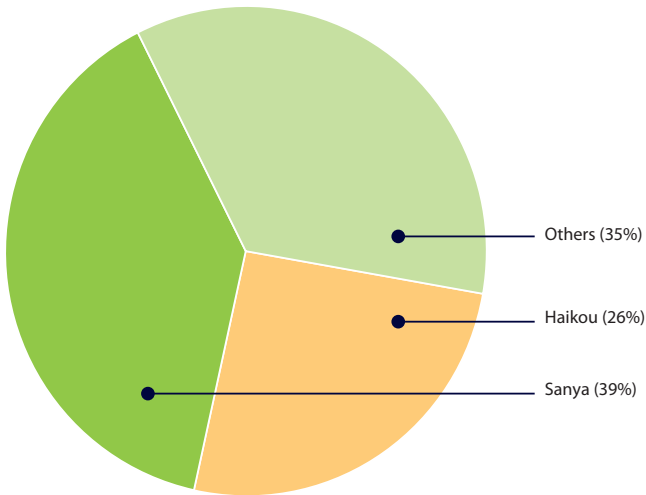
Both the above table and that on page 36 (which focuses on foreign arrivals only) confirm that Sanya is the leading destination in Hainan, generating around one and a half times more hotel stays/arrivals than Haikou, between three and four times as many foreign stays/arrivals in star-rated hotel accommodation and, according to 2009 data, six times as many overnights.

As already indicated, Haikou attracts primarily Singaporeans and Malaysians, in terms of international markets, although there is growing business traffic from a number of different sources. In terms of leisure demand, Mission Hills and other popular golf clubs in the Haikou area are stimulating traffic.

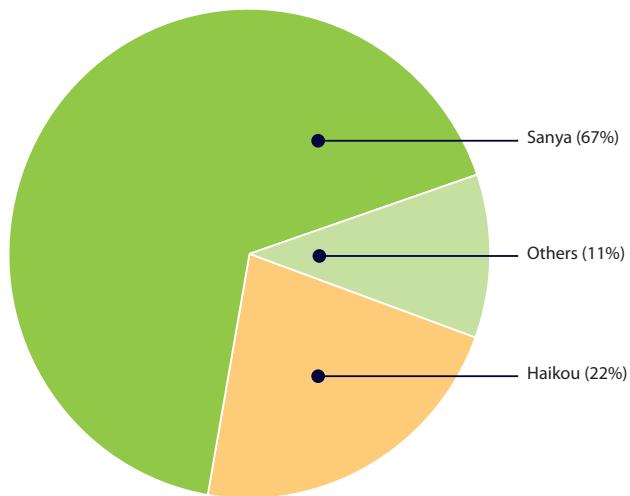
Golf is the number one draw for South Koreans, for example, and accounts for a significant share of Japanese visitors, whether for Haikou or Sanya, as well as a growing number of Westerners. But the majority of Europeans, Americans and Australasians opt for Hainan Island for a relaxing sun & beach break. This explains the high share of foreign arrivals (67%) in Sanya's hotels compared with just 22% for Haikou.

Share of arrivals in star-rated hotels in Hainan, 2010

Total arrivals



Foreign arrivals



Demand from most foreign markets is still very modest

The following table illustrates the dominance of Sanya in terms of market share of hotel guests/stays. Russia generates nearly half the total count (2010: 48.6%), with the top three sources (Russia, South Korea and Japan) accounting for almost two thirds (63.3%) and the top five (including Germany and the USA) nearly three quarters of the total (73.2%).

In contrast, for Haikou, only two markets generated more than 10,000 hotel stays in 2010 – Singapore and Malaysia.



Top 15 foreign markets for hotels in Haikou and Sanya^a, 2010 (arrivals/guests)

Market	Sanya	Haikou
Russia	146,948	504
South Korea	25,453	3,138
Japan	19,232	4,557
Germany	15,112	1,626
USA	14,698	6,418
Singapore	7,835	24,496
France	6,606	1,019
Canada	5,833	1,576
Malaysia	5,351	14,706
UK	5,082	1,002
Australia	5,263	1,612
Switzerland	2,940	na
Italy	2,790	na
Sweden	2,373	na
India	1,999	na
Other	35,096	13,807
Total	302,611	74,461

^a According to arrivals in Sanya
Source: Haikou Municipal Tourism Development Commission

New tourism attractions boost overall demand

Tourist arrivals, including same-day and overnight travel by Hainan residents, are being boosted by the increase in number of attractions. By way of example, Haikou received a total of 3.9 million domestic and overseas tourists in the first half of 2011, with tourism revenue reaching Rmb3.83 billion.

Of the total arrivals, some 970,000 reportedly visited Haikou’s forests, generating revenues of Rmb960 million. It should be noted that forests, including wetland parks, cover more than 38% of Haikou Municipality, hence their importance in its overall tourism, and the reason why the government is investing in developing the necessary infrastructure to cater to the growing number of visitors to the forest parks.

Dongzhai Harbour, located in the northeast of Haikou and the largest mangrove natural reserve area in China, is also an increasingly popular attraction in the municipality.



NEW TOURISM PRODUCTS

Everything under the sun

Hainan's leading tourism destinations offer almost everything any visitor could want in the way of water-sports and beach-based tourism activities. In addition, new nature-based tourism and cultural facilities and activities are growing, as already discussed – often as part of new themed parks. The following segments deserve special mention, given the significant investment by the Hainan Provincial Government and its partners to develop new, income-generating activities and facilities for the island's fast-growing tourism clientele.

Growth in the cruise business ...

Although construction work on the reclaimed Phoenix Island is by no means completed, it has been operating as an international free port and cruise terminal since 2008. There are now some 60 cruises a year through Sanya and it also became a home port in 2011, with Star Cruises' *SuperStar Aquarius* making its first departure from Sanya to the Vietnamese ports of Danang, Halong Bay and Hue on 4 November. In 2010, an estimated 230,000 cruise passengers arrived in/passed through Sanya, 90% of whom were European nationals.

The growth of the cruise business in Hainan is very much in line with the government's strategy to develop the island as a important port of call and home hub in the region for cruise lines.

... and for private yachts

Infrastructure for Hainan's yacht industry has been rapidly taking shape, and the island now has two international-standard marinas, in Haikou and Sanya with a total of 182 berths between them. In addition, there are reported to be as many as 34 yacht clubs of different sizes.

Hainan Island has 35 yacht clubs and five major marinas. Sanya's Hongzhou International Yacht Club is already home to more than 80 private yachts but the total is expected to grow rapidly as new berths are made available.

A total of more than 13,500 new berths for yachts are planned during the 12th Five-Year Plan period (2011-2015), according to information released at the 2011 Hainan Yachting Industry Development Summit in Sanya. Some six yacht manufacturers have already established a presence in Hainan, as well as more than 60 yacht sales and service companies.

It is still early days but Hainan's appeal to foreign yacht owners is already evident, especially since the island is an easy sail from Hong Kong and Macau, as well as being a convenient stopover en route for Halong Bay in north Vietnam. According to legislation introduced in April 2011, foreign yachts can stay in Hainan waters for a maximum of 30 days and yacht owners/handlers do not even need to register their arrival until the end of the first week. They can also make two applications for extensions, with additional stays not exceeding 30 days. But, over the course of one year, they can remain berthed in Hainan for 183 days overall.

An additional attraction for yachtsmen this year was the launch of China's first ever entry, Team Sanya, in the Volvo Ocean Race, which terminated one leg of the race and started another in Sanya. The 2011/12 race set off on the first leg from Alicante, Spain, to Cape Town, South Africa, in November 2011, with the Sanya stopover in February 2012. A 'Destination Village' was built on the Luhuitou Peninsula where a fortnight of activities celebrated the event. The village, which overlooks Luhuitou Peninsula's impressive skyline, includes a series of entertainment facilities to cater to race participants and visitors, including hotels, exhibition space, clubs, restaurants, cafes and shops.

Golf proves a major draw for Asians and Westerners alike

With some 26 golf courses already operational in Hainan, and another 40-plus reportedly under construction in different parts of the island – despite a moratorium on golf course construction in China – the province will have every kind of course to challenge even the best, and most demanding, players. Interest in the island's golfing potential was reflected in the decision to hold two of last year's big-ticket tournaments – the Star Trophy and the Omega-sponsored World Cup (in November) – in Hainan's renowned Mission Hills Resort.

The scope of the multi-billion-dollar Mission Hills development is staggering, occupying 80 square kilometres of forest and shrub-land – an area the size of Hong Kong Island – in northeast Hainan. When completed, it will have a total of ten golf courses, with 162 holes, although only six are currently operational. These are built on a bed of black volcanic rock, together with a luxury hotel, villas and apartments, conference centre, spa and entertainment complex, as well as all the related facilities needed for highly affluent golfing enthusiasts, their friends and families.

Other popular golf courses include Sanya's Yalong Bay Club designed by Robert Jones II, with a new 36-hole course under development in Haitang Bay. But all other new resort developments, such as Qingshui and Longma, are expected to have at least one or two 18- or 36-hole golf courses.

Conventions, exhibitions and other business and leisure events

With the opening of the new Haikou International Convention & Exhibition Centre in summer 2011, Hainan has really enhanced its facilities for conventions, exhibitions and other events. The new, much heralded centre was built over a total area of 136,200 square metres at a total cost of some Rmb1.38 billion. The exhibition centre itself covers 70,000 square metres accommodating 2,300 stands/booths, and the conference centre has a total area of 35,000 square metres including rooms/halls for banquets, meetings, VIP services and small seminars. It was designed by the famous China Architecture Design & Research Group, designers of Beijing's National Olympic Stadium.

Even before the new Haikou convention and exhibition centre was completed, Hainan was fast establishing itself as a major



player in the international conferences and events segment, attracting growing numbers of meetings – from high-level political meetings involving international heavyweights such as US Secretary of State Hillary Clinton and her Chinese counterpart, Dai Bingguo, to high-profile leisure events, such as Miss World, international golf tournaments, surfing championships, and a major road cycling competition. The 5th Chinese Sports Tourism Expo also took place in Haikou in November 2011.

Conferences and incentive group meetings are increasing, mainly involving foreign-owned companies operating in China. These have recently included a 1,000-delegate annual conference for NAVECO Ltd, a 1,200-delegate annual conference for Shanghai Volkswagen Automotive Company, a 450-delegate event for Taiping Life Insurance Company, and annual training sessions for Mercedes-Benz China and China Construction Bank.

Most upmarket Sanya hotels also have impressive conference facilities

Hainan Island reportedly hosted 3,000 business events groups and 300,000 delegates in 2009. But the total number of events for Sanya alone – leisure and business – was around double that count.

The Sanya Tourism Development Commission has focused heavily on the MICE segment in its marketing, through direct mail, special promotions and at international trade shows. Most of the municipality's luxury hotels and resorts have large meeting facilities – in particular, the world-class resorts like Ritz-Carlton, Hilton, Sheraton, Marriott, Mandarin Oriental, Banyan Tree, Kempinski, Holiday Inn and Crowne Plaza.

The International Asia Pacific Convention Centre and HNA Resort in Sanya has a total of 473 rooms, seven restaurants and a wide range of other facilities. The conference centre itself, which occupies three floors, features a total area of more than 3,000 square metres and has 16 halls which can cater to delegations of 20 to 1,000 people, as well as being equipped for an international ministerial meeting of 600 people. In addition, the hotel has an outdoor island bar and spring which can hold a business event for 100 to 800 people.

A growing number of tour operators and travel agents set up shop in Sanya

The growth in independent Chinese travel to Hainan has encouraged more and more tour operators and retail travel agents, including online intermediaries such as Ctrip.com, to open branches on the island, especially in Sanya. Indeed, it is the first time that Ctrip.com has set up a branch in a purely holiday destination. Ten of its eleven branches are located in business cities. Sanya is one of the most important holiday destinations for Ctrip.com, with 300,000 tourists a year using its services to book trips there. In addition, it now offers tours/excursions, car rental and other local services.

The total number of travel agency outlets is over 330, including 22 handling outbound travel. Beijing Tourism Group (BTG) is a major ground handler and tour operator, as well as owning hotels (eg Banyan Tree Sanya) and attractions (eg Nanshan Culture Tourism Zone).

Still room for more better-qualified tour guides

At the present time, Hainan has around 12,000 tour guides. Numbers are growing but the total includes a significant share of unqualified and untrained guides, so efforts are being made by government to improve the quality. Guides with foreign language skills are relatively few and far between – especially for languages other than English – but numbers are growing in line with the increase in arrivals from specific international markets.

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TRANSPORT

Air Transport

Air passenger numbers soar, more than quadrupling in ten years ...

Provisional results put the total passenger throughput at all the island's airports at some 21.5 million in 2010, four times the 2000 count and 140% higher than in 2005. The Hainan Provincial Government forecasts 30 million by 2020. The number of routes covered to/from Hainan is now about 600, of which just 8% international, although the share is expected to grow significantly over the next few years.

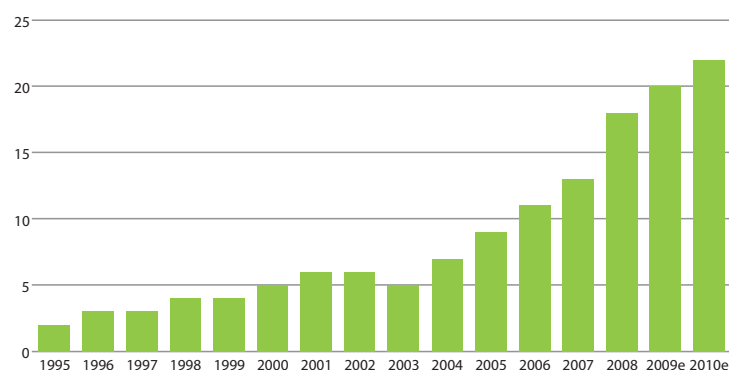
... thanks in no small part to subsidies and tax exemptions

As already indicated, one of Hainan's advantages of being a Special Economic Zone is that the government can offer special incentives to businesses wishing to operate in the province. This includes airlines which, over the five-year period 2008-2012, benefit from exemption on, or special subsidies for, landing charges/taxes normally payable on international flights, including services to/from Hong Kong, Macau and Taiwan. The exemption is valid for a period of three years from the launch of new services.

As already indicated, Hainan Island has two international airports with a third, in Boao, handling some international traffic – mainly small, private jets. A new airport has now been given approval for Qionghai in Zhingyuan Township that will serve Boao, and which is scheduled for completion by 2015 at a cost some Rmb945 million (US\$146 million). It will have a capacity of 3,190 flight movements, 290,000 passengers and 725 metric tons of cargo annually.

In addition, there are three small airports for domestic flights, pilot training and, increasingly, low-altitude sightseeing.

Airline passenger throughput in Hainan, 1995-2010 (mn)



Source: Civil Aviation Authority of China (CAAC)

New Hainan-based airline to launch sightseeing flights and island tours

In line with the government's plans for product diversification, a new, Hainan-based airline, Meiya Air, was due to be launched in 2012, operating sightseeing flights and island tours, as well as providing emergency medical services. It is the first professional tourist airline with sea planes and amphibian aircraft.

Headquartered in Sanya, Meiya Air will operate four or five water planes during 2012 and 2013. But, by 2015, it will have over 20 seaplanes, of 6-10 or 15-20 seats each.

Sanya overtakes Haikou in terms of passenger throughput

In 2010, Sanya Phoenix Airport recorded 9.3 million passengers, up 17% – thereby overtaking Haikou Meilan (8.8 million) to become the 17th most important airport, in terms of passenger throughput, in China (up from 18th in 2009). Haikou, meanwhile, dropped to 19th place (down from 17th the previous year). Preliminary data suggests that Sanya's passenger throughput exceed 10 million in 2011.

The faster growth at the island's southern coast airport is due to the huge increase in hotel room and real-estate capacity, which has stimulated demand – from foreign and Overseas Chinese markets as well from Mainland Chinese tourists. This is despite the fact that most international flights to Hainan Island currently operate to Haikou Meilan. Traffic through Haikou can be expected to grow more rapidly in future, thanks to increased capacity as a result of the new airport terminal.

Passenger traffic throughput at Hainan's Haikou Meilan and Sanya Phoenix airports, 2008-10

	Haikou		Sanya	
	Pax ('000)	% annual change	Pax ('000)	% annual change
2008	8,222	na	6,006	na
2009	8,390	2.0	7,941	32.0
2010	8,770	4.5	9,290	17.0

Source: CAAC

Guangzhou is the main gateway

Guangzhou is the main gateway to Hainan with 49 weekly flights to both Sanya and Haikou operated by China Southern, the largest carrier into the province with a 33% share of all flight capacity. It has a total of 122 flights into Hainan weekly and says it will operate a fleet of more than 50 all-A320 aircraft out of Hainan by 2015, primarily out of Haikou, connecting to international points in its first phase of expansion.

There is little low-cost traffic in Hainan, with Tiger Airways Singapore and Jetstar competing from Singapore to Haikou – Tiger offers a daily flight and Jetstar four weekly. AirAsia recently discontinued its four times-weekly service from Kuala Lumpur to Haikou, reportedly due to excessive seasonality of traffic demand.

The top five carriers operating into/out of Haikou and Sanya, on the basis of capacity, are shown in the following table.

Top five airlines operating into Hainan, 2010 (weekly seat capacity)

Carrier	Weekly seats	Destinations	% share
China Southern	39,199	13	33
Hainan Airlines	14,994	13	12
Tianjin Airlines	14,883	14	12%
China Eastern	11,377	9	9%
Juneyao Airlines	6,132	2	1%
Others	37,040	...	33%
Total	119,673	...	100%

Note: Airline passenger numbers measured during one week, 14-20 June 2010

Source: Routes Online, from Flightbase

Sanya depends heavily on charter flights from international sources ...

With regard to international scheduled services, Sanya is served from relatively few points. Three airlines operate flights from Hong Kong – Hong Kong Express, Hainan Airlines' subsidiary (seven flights weekly), Dragon Air (four times weekly), and China Southern (via Guangzhou). China Eastern flies twice weekly from Seoul and Transaero twice weekly from Moscow. But Sanya also receives a large number of charter flights from key markets in different continents.

... but domestic routes are served by many different scheduled carriers

The enriched winter 2011/12 timetable included increased frequencies from a number of carriers – including Hainan Airlines, Air China, Tibet Airlines and Capital Airlines – while tourists from Beijing, Shanghai and Guangzhou had a greater choice of carriers and flight schedules. In terms of domestic traffic, Tibet Airlines also launched flights from Chengdu to Sanya.

Hainan Airlines remains the leader to/from Haikou – at least for now

Although Hainan Airlines is the dominant carrier on flights into Haikou, it has been gradually focusing its operations away from Hainan. Its network planning team is now based in Beijing and its long-haul expansion is centred around Beijing, which is its largest hub, through which it operates nearly a quarter of its network (24%) and a large number of its long-haul services to Europe and the USA. Haikou is only part of its domestic network.

China Southern, meanwhile, is becoming a dominant player to/from Hainan – not just in terms of international routes, but also by adding more frequency and destinations within its domestic sector. As Hainan is close to the airline's main base of Guangzhou, it is unlikely to operate direct long-haul services to/from the island. But since Hainan is growing in popularity among Asians, it would make sense to launch regional operations into/from potentially strong inbound markets such as Japan, South Korea and Southeast Asia.

Airport expansion may not keep pace with growing passenger demand

The Rmb850 million expansion of Haikou Meilan Airport was completed at the end of 2011. The airport includes a new terminal, covering a gross area of 132,000 square metres and featuring a 2,300-metre-long landscape garden built in the international hall that has been developed according to a low-carbon, green-growth concept aimed at preserving the environment.

The project to build a new airport in Sanya has been postponed due to the complications surrounding the expropriation of agricultural land needed for the development. But plans for the expansion of the existing Sanya Phoenix Airport were approved by the Civil Aviation Administration of China in December 2010. According to these plans, the airport will have a new runway running parallel to the current one, offering more running space for departing planes. In addition, a new terminal building covering a floor area of 30 hectares with nearly 100 departure gates is being constructed to the east of the current terminal. On the western side of the airport, a new terminal building for VIP guests and business jets will also be built.

Since the start of its operations in 1994, Sanya Airport has consistently achieved 20-40% growth annually in passenger traffic (revenue passenger-km, or RPK), justifying the need for capacity expansion. Indeed, current plans may prove to be too modest.

Rail Transport

Hainan's bullet train proves a game changer

One of the most exciting and welcome recent developments in Hainan was the opening in late 2010 of the East Ring Intercity Railway, a high-speed rail link from Haikou City to Sanya. Costing around Rmb18 billion, the new rail link has dramatically cut the journey time for passengers arriving at Haikou Meilan Airport who are heading for Sanya's beaches – from more than three hours to about 80 minutes. The line also connects Sanya to Mainland China (with a change of train in Haikou).

The high-speed 'bullet' train travels at some 280 kilometres an hour, stopping at a maximum of 14 stations along the eastern coast of the island, including some of the planned new resort areas such as Haitang Bay. The high-speed train service is expected to transport 18 million passengers a year by 2020. And, by 2015, the new West Ring Intercity Rail Link is also scheduled to be completed.

ACCOMMODATION

Steady growth in the number of hotels from 1995

Official statistics suggest that, in 2011, Hainan had a total of 509 tourist hotels, including 211 star-rated properties, of which 22 in the five-star category. An additional 20 or so newly constructed hotels are expected to be classified as five-star properties, with a further 40 five- or higher-category hotels under construction or on the drawing board. Hainan also counts more than 20 international hotel brands managing one or more hotels on the island.

The growth of deluxe hotels in the last two years has been unprecedented since five-star properties accounted for less than 4.5% of total hotel capacity in 2009. An analysis of three- to five-star supply in Hainan by Horwath HTL shows that the breakdown of hotel and room capacity by star rating is changing rapidly with the construction of the new upscale hotels and resorts since 2010. But it is too early to analyse the performance of the new properties.

According to official statistics, average room occupancy improved steadily in the 15 years to 2009, although it fell slightly that year (in line with the decline in tourist arrivals). Since then, anecdotal evidence suggests that occupancy rates have picked up, exceeding 60.5% in the first nine months of 2011.

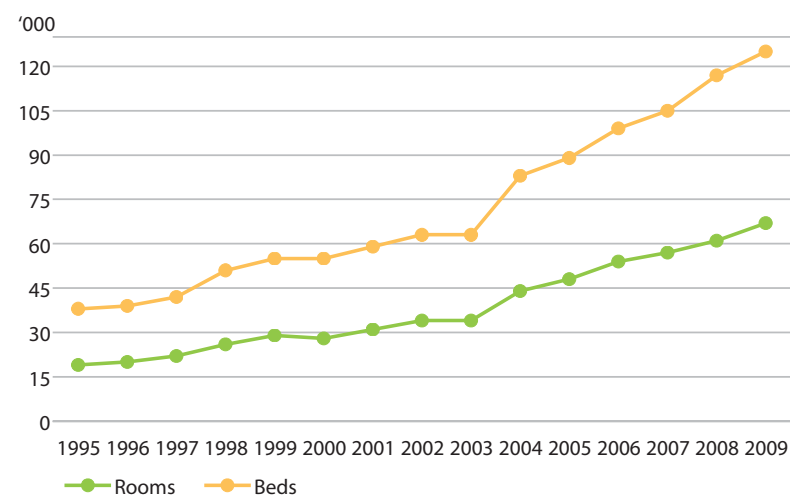
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Hotel capacity in Hainan, 1995-2009

	1995	2000	2005	2006	2007	2008	2009
Total no. of hotels	195	238	364	387	414	440	459
1 *	5	4	9	13	12	15	10
2 **	11	20	63	71	66	55	42
3 ***	15	40	98	114	118	116	112
4 ****	5	14	41	50	53	54	54
5 *****	1	4	13	13	14	20	20
Unclassified	156	158	140	126	151	180	221
Total room count	19,232	28,479	48,388	53,977	56,812	61,499	67,391
Total bed count	37,733	54,655	89,396	98,623	105,002	116,973	124,689
Rooms per hotel	99	120	133	139	137	140	147
Beds per hotel	194	230	246	255	254	266	272
Av room occupancy (%)	52.0	55.4	53.6	52.5	57.3	59.2	58.9

Source: HTDC

Hotel room and bed capacity in Hainan, 1995-2009 ('000)



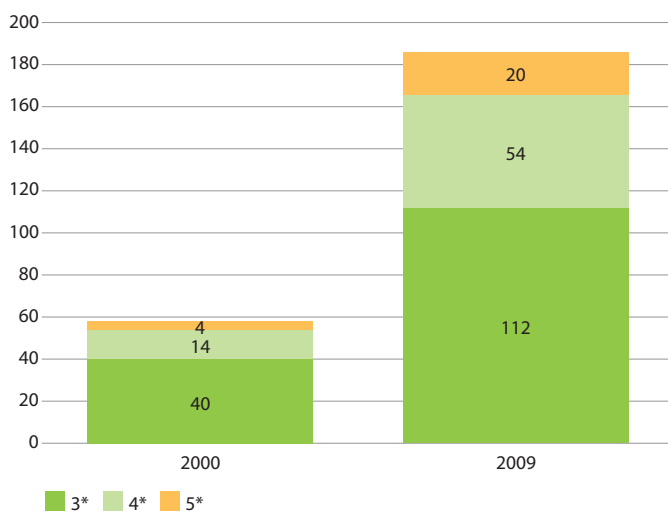
Source: HTDC

Opening up new tourism areas ...

A number of new hotels came on line in 2010 and 2011, both in existing resorts such as Sanya's Yalong Bay and the Luhuitou Peninsula, but also in new resort areas, including Haitang Bay – where five hotels are now open, including two Hilton properties (a Conrad and Doubletree) and a Renaissance.

Shenzhou Peninsula, located on the east coast of Hainan Island, south of Wenchang and north of Lingshui, is another of the recent new development zones. It boasts a Sheraton and (scheduled to open at the end of 2011) a Four Points by Sheraton, with a total of 650 rooms and suites, as well as a Tom Weiskopf-designed 36-hole The Dunes golf course.

**Breakdown of Hainan's star-rated hotel capacity, 2000 and 2009
Hotels by star rating**



Source: HTDC

... with independent hotels giving way to international brands

Until now, hotel supply in Hainan has been dominated by independent properties. Although hotels managed by international brands still only accounted for a very modest share of the total hotel supply in 2009, these properties are typically upper-upscale and luxury hotels and resorts. So they are also typically much larger than domestic hotels. This explains why the share of internationally branded rooms is so much higher than the respective share of hotels (14% as opposed to 8%).

Hotel performance in Hainan outranks that in China overall

In 2010, according to data included in the *China Hotel Industry Study* produced by the China Tourist Hotels Association in co-operation with Horwath HTL (three- to five-star hotels only), Hainan outranked China in all hotel performance measures. Average occupancy was six percentage points above the average in China, while average daily room rate (ADR) was 46% better, revenue per available room (revPAR) 61%, and gross operating profit was 85% higher in absolute volume – or 18 points higher as a percentage of total revenues. These are clearly impressive figures.

Hotel performance in Hainan and China, 2010

Indicator	China	Hainan
Occupancy (%)	52	58
ADR (Rmb)	728	1,061
RevPAR (Rmb)	379	611
GOP (Rmb)	91,752	169,358
GOP (%)	33	51

Note: ADR = average daily room rate; RevPAR = revenue per available room; GOP = gross operating profit in absolute terms or as a % of total revenues
Source: *China Hotel Industry Study 2010*, China Tourist Hotels Association (CTHA) and Horwath HTL

Strong performance in 2011 stimulates investment interest

Although strict comparisons are not available with Horwath's data for 2010, it is interesting to note that, while occupancy in Hainan and Sanya has been relatively stable in 2011 so far, STR Global says the growth in arrivals has resulted in increases in ADR of 23.5% for Hainan and 13.2% for Sanya – compared with just 4.6% for China overall. But ADR remains higher in Sanya, at Rmb1,393.82, than the average across the province (Rmb1,284.19) and well above China's Rmb774.73, says STR Global, which recently added Hainan and Sanya to its monthly global statistical trends analysis. Unfortunately, comparable statistics for Haikou are not available.

The stronger than average performance of Sanya's hotels reflects the hotel mix in the south coast resort destination, which includes a larger share of upscale international brands. The strength of demand and the resulting high revenues per available room (Rmb773.16) have stimulated investment, as well as interest by international management groups eager to secure a share of the new business.

Hotel performance in China, Hainan and Sanya, January through July 2011

	ADR (Rmb)	% annual change	RevPAR (Rmb)	% annual change
China	774.73	4.6	463.31	4.3
Hainan	1,284.19	23.5	673.97	22.5
Sanya	1,393.82	13.2	773.16	14.3

Note: ADR = average daily room rate; RevPAR = revenue per available room
Source: STR Global

The biggest hotel room pipeline in the world

Investment and development are discussed in more detail in the Policy Issues section of this report but, according to Lodging Econometrics, Hainan's total pipeline currently has 60 projects, or a total of some 25,453 rooms. If viewed as a country, the only destinations with larger pipeline room counts would be the USA, China, India, Brazil and the UK (as at the end of the first quarter 2011). On the island, 31 projects with a capacity of 15,811 rooms were under construction in mid-2011, 18 of which were/are due to open in 2011 or 2012.

The city of Sanya has 35 projects/17,869 projects in its pipeline, making it the fourth largest city pipeline in the world after Abu Dhabi, Dubai and Shanghai.

HAINAN VERSUS HAWAII

Hainan is a worthy competitor, but still has some way to go

Although there is no doubt that, with the phenomenal progress it has made so far, Hainan will one day prove a worthy competitor for Hawaii – and will likely overtake Hawaii in less than ten years from now – it still has a long way to go to achieve the Hawaiian Islands' success.

Admittedly, Hawaii's total visitor count is well below Hainan's, which recorded 25.9 million arrivals in 2010, of which more than 97% domestic. Hawaii, by comparison, attracted just 7.1 million – although 31% of these were from international markets – and it has taken around 50 years to reach this level. The comparison in Hainan's favour is all the more impressive since current forecasts point to a tripling or quadrupling of total visitors in the Chinese province within 20 years.

Hainan's 70,000 or so hotel/resort rooms (estimate for 2010) also compare favourably with Hawaii's room count of 75,000, although Hawaii's rooms are spread across 1,805 hotels, condominiums and timeshare properties, while Hainan's only cover hotels and resorts, of which there are currently estimated to be around 500, of which some 210 are star-rated.

The Hawaiian success story

Nevertheless, despite fairly big fluctuations in arrivals from one year to another, Hawaii is one of the world's tourism success stories. And this is attributable to the high revenues generated by its Travel & Tourism – more than three times greater than the equivalent for Hainan in 2010 – and its impact on economic growth and local job creation. The high revenues are due to the much longer average length of stay of both domestic and international visitors in Hawaii – 9.3 nights compared with only 3.8 for Hainan.

While statistics for 2011 are not yet finalised, preliminary estimates suggest that the trend has continued.

Comparisons of tourism statistics for Hawaii and Hainan, 2010

	Hawaii	Hainan
Visitors (mn) ^a	7.1	25.9
International	2.2	0.7
Domestic ^b	4.9	25.2
Overnights (mn) ^a	66.1	98.4
Av nights per trip	9.3	3.8
Visitor expenditure (US\$ bn) ^c	11.7	4.0
Av visitor expenditure per trip (US\$) ^c	1,596	154
Av visitor expenditure per night (US\$) ^c	170	41

^a Includes cruise visitors

^b USA for Hawaii; Mainland China for Hainan

^c At current prices

Sources: HTDC; Hawaii Tourism Authority

Even more significantly, visitors to Hawaii in 2010 spent US\$1,596 per trip as against a mere US\$154 for Hainan's visitors (more than tenfold) and US\$170 per day, compared with Hainan's US\$41 (four times higher). Interestingly, Chinese visitors to Hawaii are the biggest spenders, at US\$350 per night and US\$2,076 per trip.

Tapping the potential of the Chinese market ...

Over the past 30 years at least, Japan has been Hawaii's most important international source of tourism, although its overall share has fallen – to 17% of visitor expenditure and 11% of arrivals. But the Hawaii Tourism Authority (HTA) is now counting on China to boost growth in the short to medium term.

The burgeoning Chinese market has had a fragile albeit promising start in Hawaii. Although the total number of Chinese arrivals was just 66,048 in 2010, this represented an increase of nearly 58% over 2009. And the total in 2011 may have topped 90,000, according to the HTA, and could reach 100,000 in 2012. Admittedly, this is still a long way from Japan's 1.2 million, but it is early days.

China Eastern launched a twice-weekly, direct service from Shanghai to Oahu in August 2011, but suspended service two months later, blaming the lengthy visa process for a lack of demand. Nevertheless, Hawaii's tourism and hospitality industry is investing heavily in the Chinese market, stepping up marketing and promotions, creating Chinese-language websites, signage and marketing collaterals, employing Chinese-speaking staff and commissioning Chinese students to build merchant language and cultural skills among local tourism industry employees. Approved Destination Status (ADS) should boost flight capacity from China to the USA in 2012, including Hawaii, as well as simplifying and speeding up visa approvals.

... source of the main competition

In addition to ADS, easy access is critical for the market's development. But once arrivals from China reach the level of South Korean visitor arrivals, it will qualify for Visa Waiver status, an essential step for future growth. Hawaii has seen a massive increase in demand from Koreans since the onerous visa process was lifted.

RESORT DESTINATION DEVELOPMENT IN ASIA

The success of mature resort destinations generally depends on the development of adequate infrastructure and facilities – well before the resorts are marketed and promoted and start to attract visitors.

A relatively new concept, but one with a secure future

As discussed in a report published by the Pacific Asia Travel Association (PATA) in early 2011, *New Dawn for Asian Resort Destinations*, destination resorts are a relatively new concept in the region, only emerging in the mid-1970s – yet not really attracting mass demand until the late-1980s. Nevertheless, demand soared through the 1990s and the first decade of this century, boosted by the emergence of the middle classes in Asia as new tourism markets.

While Western markets have to some extent grown tired of the mega-resort destination concept, seeking less accessible, more exclusive holiday spots, demand is nevertheless assured for the foreseeable future given the current growth forecasts for the BRIC markets (Brazil, Russia, India and China) and newly developing economies (N11s), most of which are in Asia.

Building on the same model

Many of the earliest resorts in the region were built on the same model, drawing inspiration from places like Florida, Hawaii or Cancún in Mexico. They were typically supported by a range of sports' facilities, along with amusement and theme parks, shopping complexes, medical and health/wellness centres. In addition, the more ambitious integrated resorts that were developed as new 'towns' – such as Cancún or Bali's Nusa Dua – included housing, schools and hospitals to cater to the influx of local workers and their families. Newer examples include Sharm-el-Sheikh on Egypt's Red Sea.

This model can be found throughout Asia Pacific – in resort destinations such as Pattaya and Phuket in Thailand, Bali in Indonesia, Batu Ferringhi (Penang) in Malaysia, Cebu in the Philippines, Goa in India, and the Gold Coast and Townsville in Australia.

Brands in their own right

Many resort destinations have already reached a degree of maturity, attracting millions of visitors every year – and many are still continuing to grow, recognised as 'brands' in their own right, as well as being closely connected to the country in which they are located.

The success of the first Asian resorts resulted in the development of a second wave of similar, resort-style destinations from the mid-1980s onwards. These included Koh Samui in Thailand, Boracay in the Philippines and Langkawi in Malaysia.

As the PATA report confirmed, well-established resorts often account for a significant percentage of their respective country's overall arrivals – anything from 10%, in the case of Goa and Australia's Gold Coast, to 35% for Bali. Phuket and Pattaya combined generated 21% of all foreign guests staying overnight in hotels and commercial accommodation in Thailand in 2008; Cebu attracted 25% of all arrivals in the Philippines; and Penang and Langkawi together accounted for 15% of all foreign hotel guests in Malaysia.

Government funding boosts Langkawi's growth

Langkawi Island's development as an integrated resort was the brainchild of the former Prime Minister of Malaysia, Mohammad Mahathir, who was born in the region. Initially conceived as Malaysia's answer to Phuket and Bali, the Langkawi Development Authority project received over US\$485 million in funding from the government to provide a range of social, economic and tourism infrastructure.

The state built an international airport and an international conference and exhibition centre, as well as improving roads, while it stimulated investment in new hotels through tax and other incentives. Today, Langkawi attracts some 2.5 million travellers annually, a significant share of whom come from outside Malaysia.

Total number of rooms in classified tourist accommodation in selected resorts in Asia, 2008

Resort area	Country	Rooms	Share (%) ^a
Bali	Indonesia	40,459	12
Hainan	China	40,265	3
Pattaya	Thailand	38,550	11
Phuket	Thailand	37,884	10
Macau SAR	Macau SAR	18,858	100
Cebu	Philippines	18,009	28
Koh Samui	Thailand	15,404	4
Riau Archipelago ^b	Indonesia	12,868	4
Krabi	Thailand	12,446	3
Sabah	Malaysia	12,383	8
Penang	Malaysia	12,345	7
Genting Resort	Malaysia	10,000	6
Nha Trang	Vietnam	9,712	5
North Sulawesi ^c	Indonesia	8,998	3
Trat	Thailand	8,308	2
Langkawi	Malaysia	7,283	4
Boracay	Philippines	6,984	11
West Nusa Tenggara ^d	Indonesia	6,388	2
Palawan	Philippines	4,140	6
Bohol	Philippines	3,901	6
Phu Quoc Island	Vietnam	2,000	1
Sihanoukville	Cambodia	1,762	8
Sentosa Island	Singapore	1,307	3

^a Share of total tourist accommodation in the country

^b Riau Archipelago includes both Batam and Bintan Islands

^c North Sulawesi includes the city of Manado

^d West Nusa Tenggara includes Lombok and Sumbawa

Source: New Dawn for Asian Resort Destinations, Issues & Trends, Pacific Asia Travel Association (PATA)

Infrastructure is key, as Hainan has demonstrated ...

The success of mature resort destinations generally depends on the development of adequate infrastructure and facilities – well before the resorts are marketed and promoted and start to attract visitors. There are many instances in which planning and infrastructure were inadequate, or in some cases inexistent, resulting in declining standards, falling demand and cut-throat competition. Puerto Plata in the Dominican Republic and Antalya in southern Turkey, for example, both suffered similar problems in their early years of operation.

As Hainan has proved, well-planned infrastructure and facilities are also critical to attracting big international hotel brands to manage the new hotels. And they in turn help to provide worldwide exposure.

... but size does not necessarily matter when it comes to hotels

Of the world's 30 largest hotels, 20 can be found in Las Vegas – perhaps the world's best-known mega-resort, despite being land-locked – while Honolulu, Genting, Macau, Pattaya and Singapore each have at least one hotel with a room capacity of 2,500 or higher. In general, however, the average hotel in Asia is considerably smaller, with 'large' hotels rarely having more than 500-600 rooms.

Destination resorts generally boost international demand

Another important characteristic of mature resort destinations is the existence of an international airport with good, direct connections to important markets. Since it boasts two such international airports, Hainan is already well ahead of the field, although access is still lacking from some key sources.

Airports within resort regions are generally the second largest in the majority of Asian countries, especially in Southeast Asia. With over 9 million passengers a year, for example, Denpasar International Airport in Bali generated just over 10% of total passenger throughput at Indonesian airports in 2009. Bali is even better connected than Jakarta to destinations in Australia, Japan or South Korea and also has direct scheduled services from some European markets.

Although airports in Northeast Asia rank among the top five in terms of annual seat capacity, they rank at the bottom of the list in terms of number of seats available on international flights, confirming that there is still room for improvement. Not surprisingly, Bali, Penang and Phuket have the highest share of international seat capacity – between 40% and 60% of total seats available at the respective airports.

Share of international in total airline seat capacity at selected Asian resorts, 2010 (%)

Airport	Country	Share ^a
Denpasar, Bali	Indonesia	58
Penang	Malaysia	48
Phuket	Thailand	42
Kota Kinabalu	Malaysia	32
Cebu	Philippines	23
Koh Samui	Thailand	17
Krabi	Thailand	16
Langkawi	Malaysia	11
Manado	Indonesia	8
Haikou	China (PRC)	8
Jeju	South Korea	7

^a Share of annual seat capacity including charter flights

Source: PATA

For the time being, as discussed in the section of this report on Policy Issues: Conclusions & Recommendations, international seat share on flights to/from Haikou's Meilan and Sanya's Phoenix airports is minimal. However, it is also important to note that no other destination resort airports in Asia have such a captive national market as Hainan does.

Changing times

The last two decades have seen the re-definition of the resort concept as new trends emerge in the travel industry. Market patterns and behaviour are changing, resorts and consumers are becoming more sophisticated, and sustainable development –with regard to environmental, cultural and social considerations – is becoming increasingly important for the travelling public and consumers in general. This also

explains why Travel & Tourism's social, cultural and environmental impacts are now widely considered to be just as important as the industry's impacts on economic growth and job creation (see *New Ways of Measuring Travel & Tourism*, page 81).

Resorts are being built around cultural themes, and the search for exotic, unusual destinations and unique travel experiences has resulted in the growth of more resorts in non-coastal destinations – such as Ubud in Bali, or Chiang Rai in northern Thailand. As already indicated, an increasing number of Western tourists, in particular, are shunning the mega-resorts with built-in entertainment and activities and opting for quieter, less crowded locations such as the Maldives Islands.

Increasing competition for the Chinese market ...

One thing is patently clear. There are all kinds of resorts in Asia to cater to all tastes and budgets, and the competition is growing. With China's middle classes forecast to increase from 50 million in 2009 to 170 million by 2020 – and to as many as 500 million by 2030 – it is not surprising that all eyes are on the Chinese market in an effort to tap some of the potential of the growing Chinese demand for sun & beach holidays.

While many Chinese will continue to dream of faraway shores with exotic appeal, such as Hawaii (see page 44), Hainan is likely to prove a very attractive, much more affordable, and more easily accessible alternative.

... but in a spirit of co-operation and collaboration

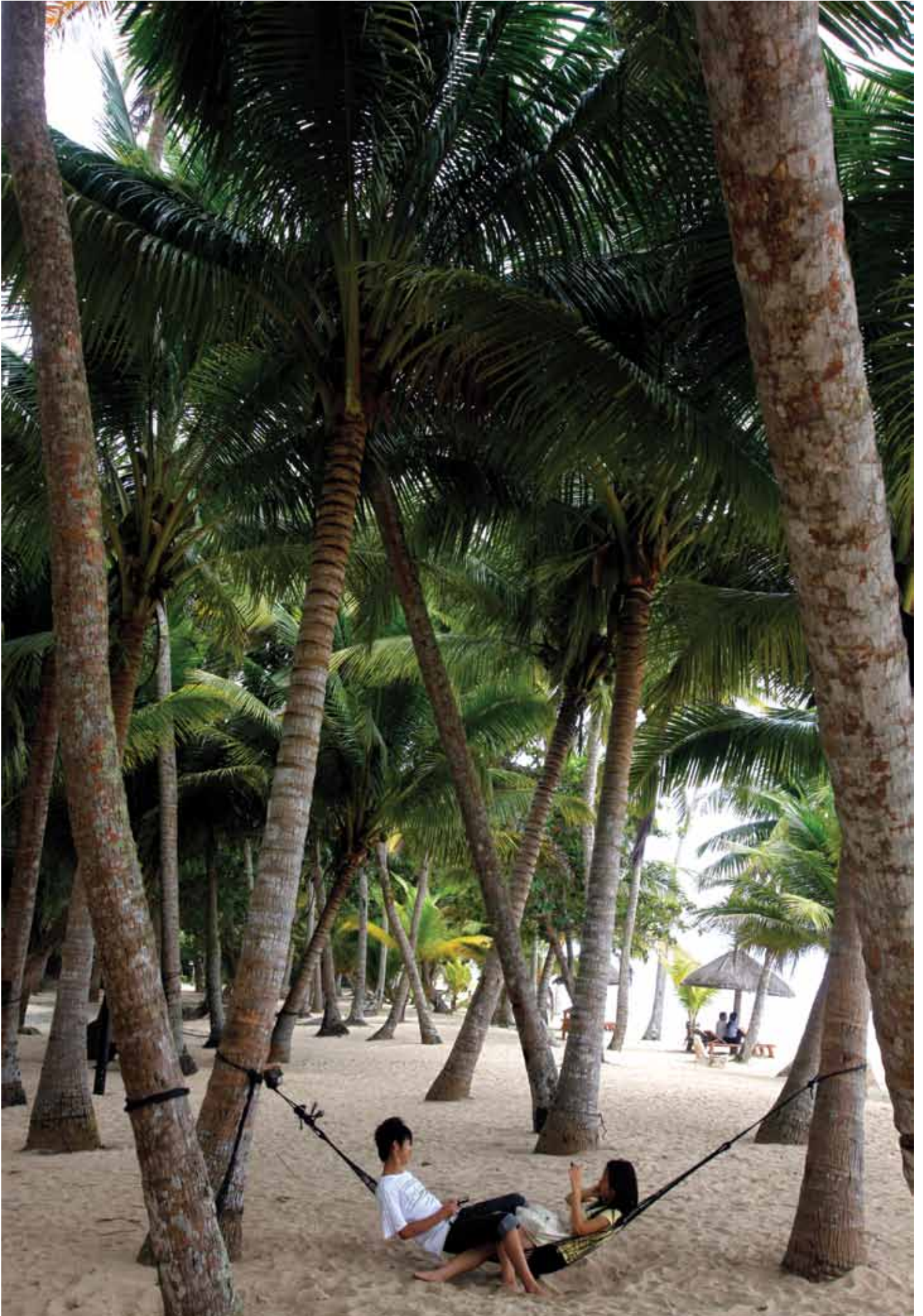
Meanwhile, Hainan's active participation in the Inter-Islands Tourism Policy (ITOP) Forum, which was founded in 1997 by the four provincial governments of Hainan, Bali, Okinawa and Jeju, should help sustain the spirit of co-operation and collaboration in terms of resort tourism policy and planning. In addition to the original four members, five others have joined ITOP since its founding: the Southern Province, Sri Lanka; the Canary Islands, Spain; Zanzibar, Tanzania; and Hawaii, USA. The Forum's goals are to:

- Develop common standards for resort island tourism products;
- Harness the potential of tourism to grow the islands' economies and implement research for better management;
- Fully utilise tourism resources and develop concrete action plans;
- Enhance general living standards among member islands through economic development and contribute to inter-island exchanges through continuous tourism growth; and
- Co-operate to address the problems arising from, or linked to, tourism – such as impacts on the environment, temperature increases and climate change.

Hainan can only benefit from such co-operation in the medium to longer term.

There are all kinds of resorts in Asia to cater to all tastes and budgets, and the competition is growing.





POLICY ISSUES: CONCLUSIONS & RECOMMENDATIONS

IN DECEMBER 2009, CHINA'S STATE COUNCIL ANNOUNCED AMBITIOUS PLANS FOR HAINAN – THE LARGEST SPECIAL ECONOMIC ZONE (SEZ) IN CHINA AND ITS ONLY TROPICAL ISLAND PROVINCE – TO ELEVATE IT INTO A WORLD-CLASS INTERNATIONAL TOURISM DESTINATION BY 2020.

Plans included the development of more than 60 upscale, internationally branded hotels and resorts, including necessary infrastructure, new airport capacity and increased access for airlines, visa-free entry for foreigners and duty-/tax-free shopping – for Mainland Chinese as well as foreigners.

Benefiting from central as well as provincial government support in terms of funding, as well as preferential development policies and incentives, due to Hainan's status as a Special Economic Zone (SEZ), progress has been astonishing, and this seems set to continue. The baseline forecasts for Hainan's Travel & Tourism development are extremely positive, and there is every reason to believe that these will be achieved, if not exceeded, by the start of the next decade.

Against this background, WTTC would like to make the following observations about Hainan's Travel & Tourism development to date, together with some recommendations to the Hainan Provincial Government, as well as to local public sector partners and all those working in Hainan's Travel & Tourism industry.

TOURISM'S STRATEGIC IMPORTANCE

Travel & Tourism is forecast to become Hainan's leading export sector, generating the highest share of foreign exchange revenues. It has the potential to diversify Hainan's economy, stimulate entrepreneurship – particularly among small and medium-sized enterprises (SMEs) – to catalyse investment, and create large numbers of sustainable jobs. In addition, although so widely recognised, is its ability to help social development in local communities, including alleviating poverty.

The Government of Hainan Province of the People's Republic of China (henceforth referred to as the Hainan Provincial Government) clearly recognises Travel & Tourism's strategic importance, both in terms of economic growth and social development, as well as the need to nurture the industry to ensure it develops sustainably – for the benefit of local communities as well as for the province's economic growth. The only concern is whether all the other different stakeholders

support the government's view. There is some evidence to suggest that this may not be the case, and that this could lead to a lack of co-ordination in terms of planning and policy development.

Factor Travel & Tourism into mainstream government policies

Travel & Tourism's strategic importance should be communicated to all levels of government, industry and local communities and, after allowing for due consultation with the many different stakeholders, it should be factored into mainstream policies for employment, trade, investment, education and environmental protection.

Promote tourism's economic and social importance

All stakeholders should be made aware of Travel & Tourism's full impact across the national economy – not just on hotels, restaurants and retail outlets, but also on construction, real estate and other sectors. Even more importantly, they should be informed on a regular basis, through image campaigns, about the sector's untapped potential and the spin-off social benefits of tourism that filter down through different levels of the community.

Implement economic impact analysis on an annual basis

Travel & Tourism needs to be effectively measured in order to understand its full impact throughout the economy. As a relatively new industry, it is not clearly identified in charts of national or provincial accounts as its component parts are scattered throughout these accounts. As a result, public sector analysis and related policies tend to overlook, or understate, the impact of the industry, or deal with its individual components, such as air transport.

Economic impact analysis developed by WTTC and Oxford Economics for Hainan Province's Travel & Tourism could be a significant tool for planning and policy development, as long as



the Hainan Provincial Government encourages the adoption of the technical know-how for such analysis. WTTC recommends that the government update this on an annual basis to ensure that adequate statistical trends are available to factor Travel & Tourism into economic, employment and other public sector policies and strategies.

LONG-TERM PLANNING

Hainan Province has successfully embraced the central government's 'Opening-up' policy, with its export-oriented economy growing rapidly since the Special Economic Zone (SEZ) was established 23 years ago. During the 11th Five-year Plan period (2006-2010), the balance between major imported and exported products was optimised. High-tech enterprises settled in Hainan, with petrochemical and natural gas as the pillars, boosting the export of industrial products. Crude oil, replacing mechanical and electronic products, stood out as the province's leading import, while refined oil products became the top export replacing natural gas. The government also eased restrictions on the right to operate foreign trade companies in Hainan.

The government now has plans to stimulate Hainan's economy further by encouraging local companies to raise funds in the capital market to boost the province's development into an international tourism resort – a decision announced by China's State Council in December 2009. Significant funding has been allocated by the central and provincial governments to help achieve this goal.

Undertake regular reviews of long-term plans

The Hainan Provincial Government has already put in place a long-term tourism development strategy and related policies. However, this strategy needs to be reviewed and updated on a regular basis in the light of new developments and marketplace changes, and the government should ensure that it includes certain basic, but critical elements:

- *Clearly defined goals, objectives and responsibilities;*
- *Indications of best practice in tourism development;*
- *Measures to support existing industry, as well as for the promotion of new developments;*
- *An articulated strategy for product diversification;*
- *A long-term strategy for tourism marketing and promotion in line with the strategy's long-term goals and objectives; and*
- *Clear branding that reinforces the basic vision for Hainan's Travel & Tourism development.*

These different elements are discussed in more detail in the appropriate sections of the report.

INFRASTRUCTURE DEVELOPMENT

According to a public statement issued early last year, the Hainan Provincial Government made a total investment in land and transport infrastructure for the island's Travel & Tourism equivalent to US\$10.83 billion in 2011. The total excluded direct investments in tourism infrastructure, such as hotels and resorts, as well as other private investment.

This significant level of public funding reflects the provincial government's commitment to the overall goal of developing Hainan into the world's largest tourism resort destination by 2020. The programme of investment is based on the following:

Co-financing projects for the modernisation of all Hainan Island's basic land and transport infrastructure with public funds and funds from corporate sources;

- Development of various forms of public-private partnerships in Hainan Province, with the use of public funds in order to reduce investment risks; and
- Open selection of projects for the construction of land and road infrastructure in Hainan Province.

Individual infrastructure projects include new roads necessary for access to, and circulation within, the resorts under development; the new West Ring Intercity Rail Link; the development of solar power; a new airport in Qionghai to serve Boao; the construction of ring-road junctions; and expansion of the road network in Sanya City.

In addition to providing all the basic infrastructure necessary for the operation of new resorts such as Haitang Bay, including utilities such as water, gas and electricity, a number of critical infrastructure improvement projects are underway. These include:

- **Clean energy in Hainan** – In the context of an agreement made with the Chinese Government with regard to a loan of US\$660 million for the development of energy-saving, clean technologies in China, the European Investment Bank is involved in the construction of a wind farm in the west of Hainan Island, as well as in developing new, environmentally friendly sources of energy in Sanya City.
- **Hainan Ecological Software Park** – Designed to provide a healthy tourism service platform, the Ecological Software Park (due for completion in 2015) is an important part of Hainan Island's industrial development strategy during its 12th Five-year Plan period, and is a key element in the development of the information industry in the province. A total of 155 companies have already established bases in the park, including Neusoft, ChinaSoft, Microsoft Technology Centre, the Great Wall Information Industry Company and Hewlett-Packard.

- **Yangpu Economic Development Zone** – Situated in the northwest of Hainan Island, on the Yangpu Peninsula, about 140 kilometres west of Haikou, Hainan’s largest economic zone – and the first approved for lease to foreign investors by the Chinese Government – has invested more than Rmb6 billion in the large-scale construction of infrastructure, including water and power supply, natural gas, drainage, discharge, road communications and land levelling – all extremely important in the development of overall Travel & Tourism infrastructure.

The following is a list of other major economic development zones in Hainan.

Economic development zones in Hainan

Zone	Name	Level	Planned area (ha)	Key industries
1	Yangpu Economic Development Zone	National	3,000	Petrochemicals, paper & pulp
2	Yangpu Bonded Port Zone	National	921	International shipping & logistics for oil, gas and chemical products
3	Haikou Free Trade Zone	National	193	Car manufacturing, electronics, IT and pharmaceuticals
4	Sanya Yalong Bay National Tourist Resort	National	1,860	Tourism, leisure, conferencing, water sports and golfing
5	Hainan International Industrial Park of Science & Technology	National	467	Pharmaceuticals
6	Old Town Industrial Development Zone	Provincial	3,210	Processing and manufacturing industries
7	Guilinyang Economic Development Zone	Provincial	1,260	Motorcycle manufacturing, pharmaceuticals, marine products processing
8	Longwan Port Economic Development Zone	Provincial	1,560	General industry, marine products processing
9	Jinpai Port Economic Development Zone	Provincial	990	Petroleum industry equipment, components for household appliances

Source: Hainan Provincial Government, 2010

Take steps to adapt to forecast demand ...

The recognition by government of the need to ensure basic infrastructure development to meet forecast demand augurs well for Hainan Province’s future tourism. It is also critical if the full potential of employment generation, export earnings and regional development effects are to be achieved. And public infrastructure that supports Travel & Tourism expansion will also serve other urban and regional development purposes.

... and diversify the product base ...

Quality infrastructure is also essential to diversifying the product base, removing bottlenecks, ensuring good service, and distributing the benefits of tourism flows around the economy. It is not only a question of coping with increasing numbers of visitors, but also of making sure that the patterns of flow do not affect the natural or built heritage, nor run counter to local interests.

... while avoiding excessive development and curbing speculation

In an effort to prevent a bubble in Hainan’s real-estate market, due to the rapid rise in demand for second/holiday homes by Mainland Chinese and foreign investors, the government has introduced policies aimed at curbing speculation. This already had an impact in 2011, resulting in a 16.7% fall in transactional tax revenues in Hainan’s housing market, according to statistics from the Financial and Economic Committee under Hainan’s Provincial People’s Congress.

The situation clearly needs to be monitored closely on an ongoing basis to avoid excessive development and speculation, but also to ensure that Hainan does not suffer from a glut of empty holiday apartments and villas – which would detract from the island’s tourism appeal.

TRANSPORT INFRASTRUCTURE

Air Transport

As already discussed in the Travel & Tourism Trends section of this report, preliminary estimates put the total passenger throughput at all the island's airports at some 21.5 million in 2010, four times the 2000 count and 140% higher than in 2005. The Hainan Provincial Government now forecasts 30 million passengers by 2020, which explains why the expansion and modernisation of both Haikou Meilan and Sanya Phoenix international airports are critical to ensuring the correct capacity to meet demand.

Haikou Meilan Airport

An Rmb850 million expansion of Haikou Meilan Airport was largely completed at the end of 2011. The airport now has a new terminal featuring a 2,300-metre-long landscape garden in the international hall, developed according to a low-carbon, green-growth concept aimed at preserving the environment. The total area covered by the new international terminal is 132,000 square metres, which will greatly improve the airport's handling capacity. There are further plans to add one or more runways in 2012-13, expanding overall passenger throughput capacity to 15 million.

Sanya Phoenix Airport

The project to build a new airport in Sanya has reportedly been postponed due to the complications in acquiring necessary agricultural land for its development. This means that, at peak traffic periods, some flights have to be cancelled or diverted.

Plans for the expansion of the existing Sanya Phoenix International Airport were nevertheless approved by the Civil Aviation Administration of China in December 2010. As a result, the airport will have a new runway parallel to the current runway, offering more running space for departing planes. In addition, a new terminal building covering a floor area of 30 hectares with nearly 100 departure gates will be constructed to the east of the current terminal. And, to the west of the airport, a new terminal building for VIP guests and business jets will also be built.

Demand is rapidly reaching capacity limits

Despite the expansion, current growth patterns suggest that demand for Sanya Phoenix could rapidly exceed capacity limits, and this needs to be monitored closely. Since the start of the airport's operations in 1994, it has consistently achieved 20-40% growth annually in passenger traffic (expressed in revenue passenger-km, or RPK). Moreover, from the end of October 2011 – the start of the winter, peak season, schedule – it was expected to see a 50% increase in passenger traffic to over 280 flights a day.

Although Haikou Meilan Airport is also attracting an increasing number of airlines and flight frequencies, the bulk of leisure demand will likely be for Sanya, putting excessive pressures on the south coast airport. This could be untenable in the longer term, especially if the Hainan Provincial Government wants to attract more international leisure traffic. Few Western tour operators will agree to inconveniencing their customers by making them travel via Haikou, even if the onward connection by high-speed rail takes less than two hours to Sanya's beaches.

On the positive side, the Chinese authorities have recently given the green light for a new airport in the city of Qionghai – to be known as the Qionghai Boao City Airport. Yet while the new airport will also handle domestic and some scheduled regional air services after it opens in 2015, hopefully easing capacity at Sanya Phoenix Airport, it will primarily focus on private, corporate jet services.

Despite the expansion, current growth patterns suggest that demand for Sanya Phoenix Airport could rapidly exceed capacity limits, and this needs to be monitored closely.

HNA GROUP: A MAJOR PLAYER IN HAINAN'S TRAVEL & TOURISM

Hainan-based HNA Group, which has activities spanning several industries – from air transport and airport management to real estate, retail and tourism – is considered to be one of China's most fascinating Travel & Tourism growth stories. The group has certainly played a key role in Hainan Province's tourism development, and will continue to do so in the future – even though its sights now appear to be more focused on the international acquisition trail.

A large multi-industry conglomerate with a total asset base of more than Rmb201.46 billion (US\$30 billion) at the end of 2010 and total revenues of over Rmb64.7 billion (US\$10 billion – not to mention 90,000 employees – Haikou- and Beijing-based HNA Group was established under the approval of the State Administration of Industry and Commerce in January 2000, following the restructuring of Hainan Airlines.

HNA's vertical integration in one of the fastest developing sectors of China's dynamic economy is expected to generate impressive growth rates in the future. And several companies within each of HNA Group's four main subsidiaries are significant players in Hainan's Travel & Tourism.

Grand China Air

After the restructuring of Shanghai-listed Hainan Airlines, the group took over the ownership of China Xinhua Airlines, Chang'an Airlines and Shanxi Airlines, thereby creating the fourth largest airline group in China (with these airlines operating under a unique code 'HU' since 2002). The company's air transport business, branded as Grand China Air, now owns – or has significant shares in – a large number of airlines, many of which operate to/from Hainan. It also includes Grand China Logistics, which operates domestic and international cargo and ground transportation services.

Airlines owned by HNA, or in which it has interests and which operate to/from Hainan Province, include Hong Kong Airlines (three times weekly service from Hong Kong to Haikou), Hong Kong Express Airways (daily flights to Sanya) and Deer Air, which has five aircraft based in Sanya and operates more than 20 air routes from this base. Hainan Airlines, meanwhile, is the most important carrier into/out of Haikou, and the second (after China Southern Airlines) into Sanya.

HNA Airport Group

Founded in October 2003, HNA Airport Group operates 15 airports, among which Hainan's two leading airports, Haikou Meilan and Sanya Phoenix. In 2010, it handled 23.3 million passengers and, as at the end of the same year, its assets had reached Rmb22.73 billion.

HNA Tourism Holding Group

The group's Tourism Holding, based in Beijing with assets of over Rmb10 billion, is responsible for the integration of tourism resources and the development of tourism business under HNA Group. It is responsible for investments and management of its four industrial subsidiaries in tourism, hospitality, airlines and the media.

HNA Hotels and Resorts, for example, owns and/or operates over 50 hotels, golf clubs and travel agencies. In 2011 the group announced it would pay Rmb4 billion for a 20% stake in Spanish hotel group NH Hoteles, which owns 400 hotels in 25 countries, but it withdrew from the deal in December, citing "volatility and current financial uncertainties". The two companies may still co-operate in the further development of four-star hotels in China, including Hainan, with the first joint property scheduled to open in 2012.

The group is also planning to invest Rmb1.1 billion to build a complex of five-star hotels, commercial buildings and a high-end residential project in Hainan, with a total floor area of nearly 300,000 square metres. The project is due to be completed by 2013.



In addition, HNA Group has been acquiring tour operating and retail travel businesses outside Hainan, which will clearly be important in years to come in tapping new markets for Hainan's growing number of luxury resorts. Two examples are Hong Kong-based Thai Travel Services and Hamburg, Germany-based Caissa Touristic AG. But there have also been unconfirmed reports of a possible shareholding in one of the world's leading Travel & Tourism groups.

HNA Commerce Industry

HNA's commercial subsidiary includes large retail groups, including supermarkets and duty-free shops. The total number of outlets exceeds 50 with assets of Rmb1.954 billion and annual revenues of Rmb1.619 billion.

The Chinese Government recently approved the establishment of Hainan Tax-free Goods Company Ltd, granting it the concession rights of duty-free sales. The new company will be set up by the state-owned Assets Supervision and Administration Commission of the Hainan Provincial Government and Hainan International Tourism Island Development Company (HITIDC), a subsidiary of Hainan Airlines.

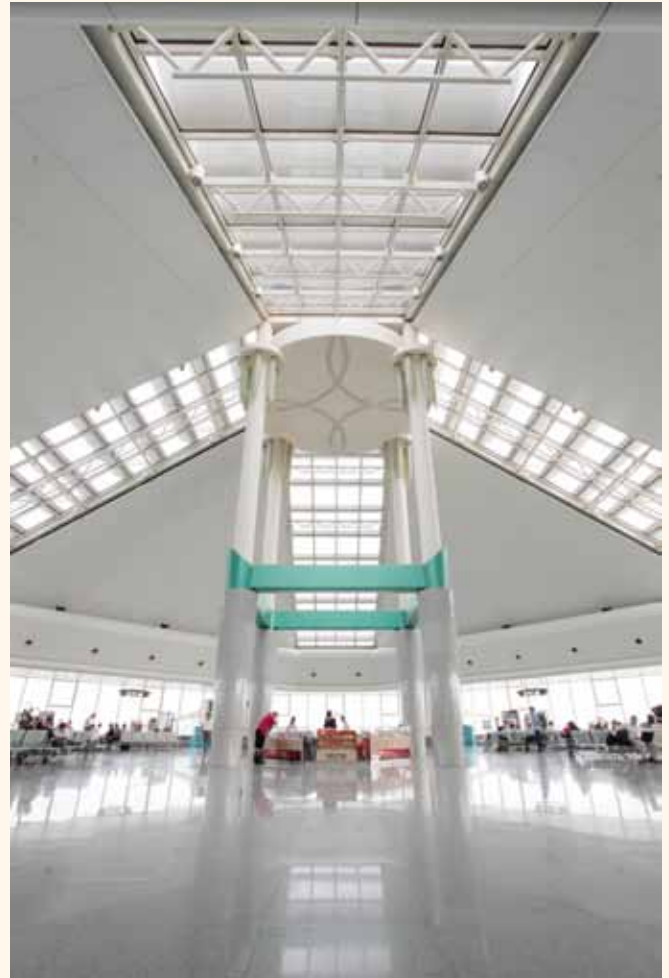
HNA will become one of the biggest beneficiaries of the island's duty-free licence, thanks to its 33% stake in HITIDC, formerly Hainan Airlines Real Estate, which was established in October 2010 with a registered capital of Rmb3 billion and operates in the real-estate and retail sectors. HNA Group has already opened a 2,150 square metre duty-free store at Haikou's Meilan Airport.

Only four companies have been granted approval by the Cabinet to operate duty-free businesses in Chinese cities. These include the state-owned China Duty Free Group, which is the only operator to have received a nationwide licence and whose newest shop, in Sanya, attracted over 7,000 customers in four hours when it opened in April 2011. HNA Group has appointed German duty-free giant Gebr Heinemann KG as its partner and exclusive distributor in Hainan, although it will work directly with Gebr Heinemann's Singapore-based subsidiary, Heinemann Asia Pacific.

Diversification is a key to HNA Group's success

Expansion in the travel retail sector is expected to generate significant returns for the group as tourism demand for Hainan grows, further diversifying its portfolio of investments and spreading its risks. Indeed, according to HNA Group President, Chen Feng, revenue from its airline business has fallen to 40% of the group's total, and will drop further to around 30% in the coming years. Logistics is expected to account for 30%, with financial services, and tourism and retailing each generating 20%.

One example of diversification is HNA's IT subsidiary, which has been responsible for the development of Hainan's official website – for tourists, the media and investors – at www.VisitHainan.gov.cn



Rail and Other Surface Transport

Faster travel across Hainan and easier access to new resorts

A major new development in Hainan over the past 12 months was the opening of the Hainan East Ring Intercity Railway, a high-speed rail link from Haikou City to Sanya. Costing around Rmb18 billion, the new rail link has dramatically cut the journey time for passengers arriving at Haikou Meilan Airport, but who are heading for Sanya's beaches – from more than three hours to about 80 minutes. Journey time will eventually be cut to 60 minutes, with the line extending all the way to Sanya's Phoenix Island.

The high-speed 'bullet' train travels at some 280 kilometres an hour, stopping at a maximum of 14 stations along the eastern coast of the island, including some of the planned new resort zones like Haitang Bay. With a capacity of 800 seats per train, it carried some 10 million passengers in 2011, but the annual total is expected to rise to 18 million by 2020.

The new West Ring Intercity Rail Link, construction of which is due to start this year, is also scheduled for completion in 2015. The first section to be completed will link up with Sanya's Phoenix Airport and the city's resorts, but it will eventually connect to the East Ring Rail Link and, through intermodal transport links, to the Chinese mainland and the whole of the Pearl River Delta.

Following the completion of the East Ring Highway in 2010/11, new highways are also being constructed to cross the centre and western side of the island. The West Ring Highway is scheduled for completion by 2015. And the possibility of a cross-Straits bridge or tunnel is currently under consideration.



Improved inter-city transport

Among the new plans for improved transport on the island, a new highway recently opened in Sanya. Part of a national highway project designed to link the city of Tongjiang in northeast China's Heilongjiang Province with southern Hainan Island, the new highway circles around the city, thereby shortening journey times between the city's major tourism resorts, railway station and airport, as well as easing traffic jams in the city's downtown area.

The capital Haikou plans to build a modern tram line as well as a 'light rail transit' (LRT) line in order to form a 40-minute transport circle within urban areas. Construction of the LRT line, which will also link up with the major coastal areas to facilitate sightseeing for tourists, is due to be started in June 2012.

In addition, Haikou Municipal Government recently signed a framework agreement with Kunlun Energy, an international energy company controlled by PetroChina, to spearhead the use of liquefied natural gas-fuelled buses in order to reduce pollution. According to the agreement, Kunlun Energy will invest Rmb250 million to set up a joint-venture company with the government for the purchase of the buses, the construction of the bus LNG filling stations, the operation of the services and related public transport infrastructure and facilities.

Place a higher priority on improving secondary road transport links

Clearly, the different transport infrastructure projects will have a significant impact on Travel & Tourism in Hainan, especially to the cities and new coastal resorts. Nevertheless, they will not facilitate access to the more remote towns and villages, which could benefit significantly from tourism to stimulate employment and generate much-needed income to raise living standards. This should also be seen as a priority by the government.

Increase ferry capacity to meet demand

Thanks to the development of Hainan's tourism industry, transport volume across the Qiongzhou Strait, which separates Hainan Island from Guangdong Province on the Mainland, has reportedly been growing at an annual rate of 10%. Yet, while the government spent Rmb800 million to build two large ferryboats to ply the route, they are underutilised since they are licensed to carry trains only. Meanwhile, older ferries, which carry cars, appear to have insufficient space to meet demand. This situation clearly needs to be monitored closely.

Support the development of the car rental market

Although demand for car rental appears to be growing fast, Hainan does not yet offer adequate services for tourists, and this is increasingly a subject of criticism by tourists. As tourism demand increases, this could become an even bigger problem, so the government should consider different means of incentivising the development of a quality product.

TOURISM DEVELOPMENT & INVESTMENT

Current Developments

The full list of projects planned for the 12th Five-year Plan (2011-2015) in Hainan Province is provided in Appendix III. They cover infrastructure and resort superstructure to shopping centres, cultural tourism projects and tourism attractions and facilities, including an artificial ski slope/centre and an underwater sea world. Many of these projects will not be completed before the end of the five-year period but the majority should be open and/or be operational by 2020 – assuming they all go ahead. The total combined cost of the 64 projects is Rmb372.5 billion.

During the 12th Five-year Plan period itself, some 15 key tourism resort zones and 63 five-star and higher-category hotels are due to be completed. Current tourism trends, coupled with the growing demand from investors and developers, suggest that the target may well be exceeded.

Among the 15 resort areas, three will include theme parks, respectively for aviation (at the Wenchang Space Centre), the oceans and movies (both in Haitang Bay). In addition to Haitang Bay, the main areas for resort development are: Yalong Bay, Lingshui Qingshui (Clearwater) Bay, Wanning Shenzhou Peninsula, Ledong Longmu Bay, Changjiang Qizi Bay, Wenchang Tongguling, Wanning Shimei Bay, Lingshui Xiangshui Bay, the Boao Forum for Asia permanent site, Haikou Meilisha and the west coast, and Haikou Longwan.

With regard to the 63 five-star and higher-category hotels, 20 are due to be developed in Haitang Bay National Coastal Tourist Resort, nine in Changjiang Qizi Bay Tourist Resort on the west coast of Hainan), six in Qingshui Bay Tourist Resort, five in both Tongguling Ecotourism Resort and Longmu Bay Tourist Resort, and the rest elsewhere. By the end of the five-year period, in 2015, Hainan Island will have more than 100 five-star-plus hotels – making it one of the most upscale tourism-intensive resorts in the world.

There are currently 36 official 'scenic spots' on Hainan Island rated at A level or above, including two AAAAA, 13 AAAA and 15 AAA sites. A further eight to ten AAAAA state-level scenic areas and sightseeing spots will reportedly be completed by 2015. Two of the most high-profile developments are:

Hainan's Space Theme Park and Launch Centre, Wenchang

In order to maximise the tourism potential of the development of China's fourth space launch site being developed in Hainan, the government is also building a Space Theme Park five times larger than the Kennedy Space Center in Florida. The park, in Wenchang City, on Hainan's northeast coast, will be the first space tourism attraction in China, offering visitors the chance to experience the wonders of space.

The site will include a 4D Motion Theatre, IMAX Dome Theatre, Firing Simulator, Aerospace museum, Moon Golf Course, lunar exploration theatre, astronaut spaceship and the Mars Red Adventure Centre. This will also be an important academy for the next generation of space explorers with key training centres to be established on this site. The park is likely to be fully operational by 2015 and is expected to cost a total of some Rmb12 billion by completion.

Wenchang, surrounded by coconut forests, is connected to Hainan Haikou by a 60-kilometre expressway, as well as by the East Ring Intercity Rail Link, which also serves Sanya and the new resorts on the east coast. It boasts six scenic areas, so is already a popular tourist spot, with 130 existing hotels (not necessarily of international standard) and 5,000 rooms. Le Méridien (Starwood Hotels & Resorts) has reportedly signed a Letter of Intent to manage a hotel in Wenchang at the Space Centre, but further details are unavailable.

Yanoda Rainforest Cultural Tourism Zone

A 45-square kilometre tropical garden less than an hour's drive from Sanya, Yanoda Rainforest Cultural Tourism Zone includes all the five famous rainforests on the island. It was designed to preserve and showcase native flora and fauna, bird and wildlife species, as well as indigenous cultures of the province, providing at the same time an enjoyable, relaxing tourism experience for locals (60% of the clientele) and tourists. Among the attractions already completed within the zone are Rainforest Valley and Dreamworld Valley, and a Li village show is presented several times a day. But a whole host of other attractions are planned – primarily for Chinese tourists and locals – including Pharmacists' Canyon, Chinese Zodiac Square, Pa Lu Di Wild Training, Ya Ya Ya Rain Forest Orchard and Da Da Se Li Miao Exhibit, as well as accommodation to cater to 4,000.

The total cost of the Yanoda Cultural Zone is expected to be Rmb3.9 billion over ten years. So far, some Rmb300 million have been spent and the attraction soft-opened in 2008.

Promote Yanoda as a best-practice example of 'Good Tourism'

Yanoda Rainforest Cultural Tourism Zone is currently unique in Hainan Province, and indeed in China itself, since it is the first project adopted by the UN Educational, Scientific and Cultural Organization (UNESCO) based on the concept of 'Good Tourism'. Conceived by the Pacific Asia Travel Association (PATA), Good Tourism is designed to be both balanced and sustainable, delivering a range of different benefits for entrepreneurs, tourism operators, employees and local communities.

Yanoda is the first research site for Good Tourism and its developers – a local entrepreneur – has offered funds and necessary support for the project's implementation, which is to develop guidelines for Good Tourism. The project will involve collaboration with the tourism authorities, industry players, environmental and cultural experts, and consumers, to develop guidelines for the development and management of Good Tourism projects.

This excellent initiative will help local entrepreneurs to develop projects of real benefit to Hainan's smaller rural communities, and should be both supported by the Hainan Provincial Government, and promoted in other rural areas of the island.

Travel & Tourism Investment

Hainan Provincial Government is responsible for all Travel & Tourism infrastructure development on the island, although some projects also involve the central government authorities. Investment for the actual hotels and resorts has come from a wide range of sources, primarily Chinese state-owned enterprises. With regard to private sector involvement, there is little foreign direct investment (FDI) – until now, at least.

Exceptions include the Kuok Group's equity in establishing its ShangriLa brand in the province, Mission Hills Group's golf complex in Haikou, and Hong Kong's Agile Property investment in Qingshui (Clearwater) Bay, in which Morgan Stanley is also involved. Caesars has reportedly also put up a not insignificant share of the capital required for the Jiangsu Guoxin Investment Group's Longmu Bay development – a deal-clincher as competition from international management groups was intense.

Investment incentives

Thanks to its status as a Special Economic Zone (SEZ), foreign-invested enterprises engaged in production and operation in Hainan benefit from lower taxation rates. They are exempt from paying local income tax and pay a lower 15% rate for enterprise income tax. Full details of all benefits and incentives are detailed in the government document: 'Regulations on Foreign Investment in Hainan Special Economic Zone'.



MAJOR HOTEL & RESORT PROJECTS

International Hotel Management Brands

No other destination anywhere in the world has attracted so many leading international hotel brands – like wasps to a pot of honey. The question is not: Which brands are/will be present in Hainan? It is much more tricky to determine which brands will not be there. The rush to establish a presence has been phenomenal and makes Hainan totally unique in the history of Travel & Tourism development.

The following provides a summary of key projects in the main tourism destinations on Hainan Island.

Haikou

A multitude of projects, befitting the provincial capital

Haikou currently has five five-star and 15 four-star hotels, most of which are located on the coast to the west of the city. In part because it is the capital, as well as being a very important business centre – especially with the newly opened International Convention and Exhibition Centre – Haikou is the focus of a large number of investment projects both in and around the city. These include business hotels, cultural and nature-based theme parks and attractions, such as the Shishan Volcano Park and the planned museum and cultural centre at the Soong Family home, and also sun & beach resorts.

Two artificial islands are planned although one, to the west of Haikou, is still on the drawing board. The following highlights some of the most important projects.

Construction of first artificial island ...

In an effort to avoid adding to the rapid urban development, which is putting additional pressure on increasingly crowded traffic space, the Haikou Provincial Government has embarked on an ambitious plan to build a large artificial island off the east coast of the city. The total area includes 939 square kilometres of land reclaimed from the sea.

The design concept of the new island, which is expected to attract 5 million visitors a year when completed and generate 5,000 jobs, is intended to be a best-practice example of sustainable development, with protection of the marine environment a priority. The island will become a centre for commerce, entertainment and tourism.

... with a 7-star Haikou Millennium Hotel

A big feature of the island will be the seven-star, super-deluxe Haikou Millennium Hotel, which is expected to cost Rmb2.8 billion by the time it is completed in 2015. The hotel itself is set to occupy at least 20 hectares, with plans for around 600-800 guest rooms, all enjoying 24-hour butler service.

Mission Hills takes golf tourism to new limits

Mission Hills Resort Haikou is nestled amid lush green tropical gardens with an 18-storey luxurious resort, a nine-storey resort annex, a three-storey clubhouse, extensive shopping and meeting facilities, and fully-equipped sports and recreation centres. The resort currently has ten 18-hole championship golf courses designed by Schmidt-Curley Design, perched on a bed of ancient lava rock, highlighting the area's volcanic origins and creating a truly unique golf environment.

The group has invested more than US\$1 billion in the resort's development so far. This includes six of ten planned golf courses, the spa and volcanic mineral springs, and a leisure town centre being created at an estimated cost of US\$314 million, in partnership with Hong Kong's Lan Kwai Fong, featuring lifestyle, shopping, entertainment, dining and cultural attractions and facilities.

The Mission Hills Group – the world's leading golf brand and the driving force behind the sport's rapid growth in China – has also partnered with Marriott International to manage new Ritz-Carlton and Renaissance Hotels at its Haikou resort. The Ritz-Carlton, the first of the two Marriott properties to open, is scheduled to come on line in the fourth quarter of 2013. It will adopt a traditional Spanish hacienda theme offering a striking contrast to the captivating volcanic landscape and native lava rock formations of the Blackstone Championship Course. The hotel will include 180 rooms, 20 villas, one presidential villa, a spa and The Ritz-Carlton Golf Clubhouse.

The Renaissance Hotel, scheduled for completion in 2014, will feature 300 rooms and fuse contemporary styling with touches of luxury and creativity. The development of the two properties represents a total investment cost for Mission Hills of US\$200 million.

Boao

Serious interest from international hotel brands

Travelling from Haikou beyond Wenchang down the east coast of Hainan, one comes to the site of the now renowned annual Boao Tourism Forum. The destination of the same name is being expanded and enhanced with the recent signing of a management agreement with Wyndham Hotel Group, the world's largest hotel company (with nearly 7,200 hotels and 13 brands), for three new Wyndham Hotels and Resorts in Boao.

These include the 300-room Wyndham Grand Boao Resort and Spa (opening in 2017), to be part of the brand's prestigious Wyndham Grand Collection; the 106-room Wyndham Boao Resort (2013); and the 350-room Wyndham Boao Resort and Conference Centre (2019). The three hotels are owned by Hainan Baolian City (Boao) Company, which is also developing the 337-room, luxury Wyndham Grand Baolian Hotel in Shanghai.

The new Wyndham properties in Boao will join the 1,000 room Ramada Hotel & Suites Boao, also developed by Zhu. The hotel complex is part of a larger plan by the developer to transform more than two square kilometres of the city's ocean front real estate into an upscale resort destination that will feature multiple retail and entertainment spaces, with 2,500 square metres of meeting space.

Qingshui (Clearwater Bay)

Lingshui, or the Pearl Coast

Home to the Li minority, Lingshui includes a number of exquisite bays and islands, including Nanwan Monkey Island, Coco Island, Fenjiezhou Island, Tufu Bay and Qingshui Bay.

Qingshui (Clearwater Bay) is the site of a major development by Hong Kong Chinese Agile Properties – a major property developer in Hainan and elsewhere in China – in co-operation with Morgan Stanley, for (initially) six five-star or higher-category hotels/resorts. These are the seven-star Jumeirah, six-star Raffles, and four five-star properties: to be managed by Hilton, JW Marriott, Outrigger and InterContinental. The tourism zone will also be equipped with golf course/s, three yachting clubs/marinas, an international school, hospital, plus other facilities and amenities needed for the smooth-running of an upscale resort development.

In addition to the hotels/resorts, there is a substantial share of real estate – high-priced villas and apartments around the 12-kilometre bay. As a reflection of the widespread interest in real estate in Hainan, Agile's first-half property sales in China grew 65.5% year on year to Rmb11.72 billion, representing 1.42 million square metres of properties, of which Rmb4.6 billion was from the Qingshui mixed-development project. The first of the hotels/resorts are due to come on line in 2012/13.

Haitang Bay

Best-practice example of a fully integrated tourism resort

The Sanya Municipal Government says that the infrastructure of Haitang Bay will cost a total of some Rmb200 billion to 2020, although the resort will likely not be fully completed until several years later. This will finance over 100 resort infrastructure projects, encompassing access roads, support facilities and amenities, and all utilities including solar and wind-powered electricity in some public areas (such as for street lighting). Some observers maintain that the bay will have the most developed resort infrastructure, not only in Hainan Province, but in the whole of China.

Located at 25 minutes northeast of Sanya City by expressway, Haitang Bay is just south of Qingshui but still within the municipality of Sanya. The major new development, which will have three zones and six function areas, will have several golf courses, a convention centre, yacht clubs and marinas, theme parks, a wetland park and hot-springs, shops (including a massive duty-/tax-free store), apartments, schools and a hospital – to serve the thousands of tourists expected to fill the 32 planned beach-front luxury properties (five- to seven-star) and a further 40 themed hotels facing the lagoon behind the beach strip.

A host of leading international brands have lined up to manage hotels/resorts in Haitang Bay, with three involving investment by Overseas Chinese. ShangriLa, Fairmont, Kempinski, Ritz Carlton, Renaissance, Westin, InterContinental, Starwood's Sheraton and Luxury Collection, Hilton's Conrad and Doubletree are just a few of these. Banyan Tree was mooted to be interested in managing the resort on Wuzhizhou Island in Haitang Bay, but developers Hainan Sea-View Paradise are now reportedly talking to Club Méditerranée instead. (Banyan Tree already manages the Beijing Tourism Group-owned property in Sanya).

It is hardly surprising that so many international management groups and developers are eager to get in on the action since return on investment in Sanya has been extremely rapid until now. The Sheraton Yalong Bay, built in the mid-1990s, took only four years, and gross operating profit has been over 60%.

Entertainment and facilities for a wide range of sporting activities will all be available within the resort, from the wetland park to Sea World and the Olympic Bay project. Sanya Zhongtiwantong Olympic Land Development Company is expecting to invest more than Rmb5 billion in Haitang Bay's Olympic Bay, which will include an Olympic park, an Olympic museum, two resorts and professional training centres for future Olympians.

Sanya

A big choice of bays and different types of resorts

Sanya is blessed with a wide range of different beaches and resort areas – from its upscale Yalong Bay, appealing primarily to rich Chinese and Westerners, to the Russians' favourite Dadonghai (also for middle-class Chinese), Sanya Bay (for the more budget-oriented traveller), Sanya City (good for business travellers) and the Luhuitou Peninsula. Although many of the bays are fast reaching their capacity limits, new construction continues – a Radisson is due to open in 2013 on the Luhuitou Peninsula, for example.

Phoenix Island – the new hotspot

One development causing considerable interest is Phoenix Island located in Sanya Bay, accessible by foot from downtown Sanya. With an area of 365,000 square metres, and with 360-degree ocean views, this man-made marvel is set to be one of the most talked-about tourism and real-estate hotspots in the world.

The site, which has been partially opened since 2008, will feature luxury apartment blocks of between 50 and 70 stories, as well as hotels, entertainment, shops and attractions. Three ports for cruise ships and a marina for 150-300 yachts are also being constructed.

Longmu Bay

Caesars Palace for Longmu Bay

Still in the early stages of development, Longmu Bay – west of Sanya and the only west-facing beach on the island – is set to become another luxury resort with the recent signing of an agreement between developers, Jiangsu Guoxin Investment Group, and Caesars Palace. The non-gaming resort, which will have 1,000 rooms as well as numerous attractions, is the first property for Caesars in Asia, which is expected to open 25 new locations in China within the next five or so years.

Other features of the Rmb3 billion resort will be a 36-hole championship golf course, spa, two large entertainment areas for high-profile concerts and shows, shopping, restaurants, and a marina. The resort was designed by Australia-based PTW Architects and is a joint partnership between Caesars and the Chinese investment and development company Jiangsu Guoxin Investment Group Limited. (Caesars is reported to have put up 25% of the capital.)

The resort, which will officially open in 2014, will form the centrepiece of a massive, 5-square kilometre tourism development worth some Rmb36 billion. But it already has competition from its long-time competitor MGM, which has developed the MGM Grand Sanya.

Western Hainan

Different projects still on the drawing board

A number of different projects for western Hainan are under discussion and/or on the drawing board, notably for Yurun-Qizi Bay in Changhua, Changjiang Li Autonomous County. These include hotels and apartments, a multi-function international business exchange centre, a yacht marina and club, and a nature-based amusement park. But it is still very early days. No firm developments have been announced until now.

It is expected that, after the completion of the whole project, there will be several high-end resorts that will provide various experiences including: sporting activities, soft adventure, horse racing and camping. The Yurun-Qizi Bay Tourist Resort is also said to be the first international eco-compound in western Hainan.

Beibuwan Bay Tourism Development Programme

One project worthy of mention in the context of efforts to boost international tourism co-operation, is the Beibuwan Bay Tourism Development Programme, which has gained the approval of a committee of experts in Beijing. In addition to western Hainan Island, Beibuwan Bay covers the coastal areas of Guangxi, Leizhou Peninsula in Guangdong, and the northern coastal areas of Vietnam. Details are not yet available but, according to the media, Beibuwan is designed to be a major tourism destination by 2020.

Paracel Islands

Extending and expanding Hainan's appeal

China recently announced that it plans to open up the Paracel Islands to resort-style tourism. The islands, which lie 180 nautical miles from Hainan Island, equidistant from the coastlines of Vietnam and Mainland China, are in fact an archipelago of coral reefs with an abundance of marine life and pristine tropical beaches.

Due to their inaccessibility until now – not to mention disputes over sovereignty – the Paracel Islands are totally unspoilt, boasting fresh, pollution-free air, crystal clear water and a completely undamaged and intricate marine ecosystem. In addition to sea turtles, there are more than 400 species of coral and oceanic fish living among the islands.

Although there are no hotels or any other type of accommodation as yet on the islands, there is a Naval Museum and a Maritime Museum already established on Woody Island, as well as an airstrip. And China plans to build a solar energy powered desalination plant on the island for fresh water.

HUMAN RESOURCES

Progress in developing human talent has been impressive ...

Given the current and planned tourism resort development, it is hardly surprising that one of the key topics of discussion within the provincial government and also among hotel/resort management groups is that of human resources.

Significant strides were made in vocational tourism training and education during the 11th Five-year Plan period, thanks to the government's strategic programme 'Promote Tourism Development by Talent'. This resulted in a doubling of investment in tourism schools in the province, increasing the number of teachers and students – with the latter now totalling around 5,500. Close to 60 tourism teachers were sent to Spain, Singapore and Bali for special tourism training, and as many as 20,000 benefited from English language courses. More than 1,500 have already received their certificates.

Developing talent for Hainan's Travel & Tourism industry is clearly a major priority for government, and different pilot projects are underway, or being developed, including accreditation schemes.

... and Hainan's Travel & Tourism workforce is forecast to double in ten years

WTTC estimates that Hainan's Travel & Tourism industry accounted directly for 438,000 jobs in 2011, or some 10% of total employment in the province. If the indirect and induced impacts of Travel & Tourism are taken into account – essentially, impacts on other sectors such as retail goods, construction, immigration, etc, as well as expenditure by employees working in those sectors – Travel & Tourism supported a total of some 1.3 million jobs, or 29% of total employment in Hainan.

Over the next ten years, direct Travel & Tourism employment is forecast by WTTC to grow by more than 8% a year to 983,000, or an 18% share of the workforce – twice as large as its share in 2011 – and total Travel & Tourism employment should also double in number of jobs to 2.6 million by 2021, or a 48% share, reflecting annual growth over the period of more than 7%.

It is important to note that the percentage growth forecast is much greater than for China overall, in addition to being well above the global average. And, as shown in the Economic Impact Analysis by WTTC and Oxford Economics (see page 88), the ten-year real growth in employment forecast will put Hainan in number one position worldwide, in terms of annual growth in direct Travel & Tourism employment, and in second place (only behind Montenegro) in total Travel & Tourism employment.

A huge talent shortage is feared

But where will this much-needed talent come from? Despite these impressive growth figures, the implications for human resources of the unprecedented growth forecast, in terms of investment in hotels, resorts and attractions, are of growing concern to both industry operators and the government.

There is an acute shortage of both junior to middle management and skilled workers in Hainan, and the difficulty in importing them from Mainland China and other countries could severely impact the quality of Hainan's tourism product and services, and possibly even tourism development itself. Moreover, despite the island's abundance of natural resources and high-end hotel properties, it is reportedly difficult to attract qualified and/or trained staff. It seems that young Chinese prefer to be where the real action is, in the big mainland cities. And Hainan still lags far behind other similar island resort destinations in terms of the availability of home-grown human talent.

There is an acute shortage of both junior to middle management and skilled workers in Hainan.



These concerns are reinforced by existing hotel operators, who say that they have problems retaining staff, especially those at middle-management level, since they are frequently wooed by the emerging competition in return for a modest increment in monthly salary.

Mission Hills, for example, reports that it is constantly on the lookout for talent from all over the world, and especially Hong Kong, because of the shortage of qualified staff in Hainan and even Mainland China – despite offering good salaries and career prospects. It has nevertheless organised 23 job fairs for local villagers since 2008, resulting in 1,839 interviewees and 1,212 offers of employment, with 948 currently actively employed by Mission Hills. The upmarket golf resort now has 4,000 staff and total numbers are expected to increase to 10,000 by 2013.

Factor industry HR needs into all public policy

Although there are a number of positive case studies, a lot more can be done to improve human resources in Hainan's Travel & Tourism. In order to plan better for growing human capital needs – to ensure that there will be sufficient employees with the appropriate credentials for the medium to longer term – future industry requirements need to be factored into all policies and long-term strategies. And, given the fast-changing development situation, plans will need to be reviewed and updated on a regular basis. Employers will also need to provide added value, in addition to competitive salaries – such as free or low-cost housing, complimentary transport, and even access to entertainment and sports' facilities.

Place a high priority on education and training ...

Given the projected growth in Travel & Tourism demand for Hainan, not to mention the huge investment being made in hotel and resort capacity, it is also important to plan ahead to ensure that a sufficient number of young locals are receiving the kind of education and training required to prepare them for the future. While broad-based training is important, since it helps develop a variety of skills, such as the ability to provide customer service, there is also a need for higher academic skills and increased technological know-how.

However, as the forecast figures clearly show, the available workforce for Travel & Tourism – whether in terms of management positions or vocational posts – is highly unlikely to meet the industry's needs and ensure sustainable development over the current decade. Visitor arrivals, as well as hotel and resort capacity, are projected to show even higher rates of growth than employment. And with the increasing demand for Travel & Tourism generally in northeast Asia, and particularly China, competition for human capital will be all the more intense.

Not only is there is a shortage of skilled labour in Hainan's Travel & Tourism industry, as already indicated, but existing facilities for education and training continue to be inadequate, especially at higher levels. Hainan Province only has two universities and one tourism college. More concerning is that, according to Hainan University, most tourism management graduates do not choose to work in the Travel & Tourism industry, because they do not want entry-level jobs and salaries are far better in other sectors.

... with innovative schemes to boost human resources and improve quality

Innovation is key to boosting the number of staff available for the new hotels and resorts being developed in Hainan.

Recent research on tour operating and tour guiding in Hainan (by a Canadian-Chinese PhD student for his thesis at the University of Waterloo, Canada) suggests that local tour guides recognise they have a variety of roles to play in helping the province develop its tourism sustainably. They feel responsible to various stakeholders including, in order of importance, tourists themselves, their employer/s and the local population, but they also feel they have a responsibility to protect the local resources of the province, helping to preserve them for future generations.

In practice, however, they work under such pressure, relying on kick-backs instead of salaries in some instances, that they only have time for sales – generating as much income as they can. In addition to providing incentives for tour guides and other tourism workers, both employers and the government should look at ways of making their jobs more interesting, educating them as to the economic and social importance of tourism, and encouraging them to buy into the principles of sustainability. This in turn will contribute to enhancing the quality of customer service and the overall tourism experience.

... and promote a positive image of tourism as a provider of careers

The Hainan Provincial Government can do a lot to help attract local and Mainland Chinese into Travel & Tourism in Hainan by promoting a positive image of the industry as a key future employer to graduates and young people finishing secondary school education.

Career opportunities in Travel & Tourism can be extremely varied – with upstream suppliers such as hotel designers or airport engineers, or with downstream service companies like retail shops, petrol stations, clothing manufacturers and food suppliers. The former depend on travel company purchases, the latter are driven by visitors' expenditures. There are also jobs in the public sector catering to visitors – such as border inspectors, air traffic controllers and attendants at theme parks and other attractions.

As the local industry becomes more sophisticated and more international brands enter the market, there will be a growing number of high-level jobs in different sectors. They will provide an impetus to regeneration and social cohesion by counter-balancing the flow of young Hainanese to the mainland. They will provide significant opportunities for women and they will be ideal for young or first-time





employees. Most importantly, they should offer widespread opportunities for long-term careers rather than mere jobs.

The following highlights two innovative schemes aimed at raising the quality of tourism professionals in Hainan.

On-the-job training with the AH&LA

In October 2011, the Hainan Provincial Bureau of Human Resources Development (the Labour Bureau) announced that the American Hotel & Lodging Association (AH&LA) Educational Institute (AHL-EI) would launch a series of programmes for hotel industry professionals in the province. The programme, which will be carried out by the CIBT Education Group – the exclusive representative of the AH&LA for China and the Philippines – will educate and certify hotel and tourism industry workers in Hainan with an internationally recognised AHL-EI curriculum. And this is expected to become the industry standard in the province.

The Labour Bureau is a division of the Hainan Provincial Government responsible for labour development activities. A component of its mandate involves providing unemployed citizens and migrant workers with required training, as well as community-based assessment tasks.

Promoting Hainan's tourism employment opportunities to foreign students

The Hainan Study-Work-Travel (SWT) programme was recently launched by Hainan Normal University (HNU) in co-operation with CAPI Cultural Development Company Ltd, the Beijing-based labour export agency promoting international cultural exchanges. The programme has two main purposes: to help the hotels coming on stream that have difficulty finding suitable management trainees, and to provide foreign students with a new and exciting opportunity to experience life in China while combining language study, a hospitality internship experience, cultural exchange and travel.

Participants first take a ten-week intensive Chinese language course at HNU in Haikou, followed by a three-month internship at a five-star hotel in Sanya. A three-day excursion around Hainan Island completes the programme and provides participants with further insight into, and understanding of, Chinese culture, as well as giving them an opportunity to experience Hainan's tourism resources and attractions, including its friendly local communities.

Interns rotate between the hotels' various departments, thus enjoying a comprehensive hospitality internship experience. They work five days a week/eight hours a day and receive Rmb800-Rmb1,000 monthly to cover basic expenses, as well as full board and lodging at the respective hotels. They can also extend their internships to a maximum of six months if they wish – and the hope is that some will choose to look for employment in Hainan. Sanya hotels participating in the programme include: Marriott Yalong Bay Resort & Spa, Sheraton Sanya, Hilton Resort & Spa and Narada Resort & Spa.

RESPONSIBILITY IN NATURAL, SOCIAL AND CULTURAL ENVIRONMENTS

The Status Quo

Sound strategies to ensure sustainable development ...

Hainan Island has become one of China's most important sites for 'green' development, solar energy technology and a low-carbon lifestyle – the goal of the Chinese Central and Hainan Provincial Governments when the announcement was made to elevate the province into an international tourism destination.

Billions of dollars have been invested in the island's tourism development over the last couple of years, with a view to maximising sustainable growth. The province's tropical location makes it an ideal candidate for solar-powered energy. And the China Building Material Federation has also made serious efforts to encourage developers to opt for ecological architecture and construction materials, increased energy-saving building materials and reduced energy consumption. Wind energy technology is also being applied to construction, both to achieve maximum energy savings – thus reducing the need for air conditioning – but also to minimise environment impacts.

The success of Hainan as an international tourism destination hinges on the island's ability to protect and use its natural resources sustainably. And this is more pressing in the coastal areas where Hainan's tourism is concentrated. Developing a major international tourism economy with large-scale investments in hotels, theme parks and other tourism attractions, coupled with population growth, will put significant pressure on resources, the environment and the local people.

... and significant progress has been made towards this goal

Despite all the new construction, the eco-environmental quality Index in Hainan was ranked third among all provinces in China in 2010, according to the 2010 National Environmental Quality Report released by the Ministry of Environmental Protection. This index comprises comprehensive indicators of regional ecological environment, including quality indicators of the forests, water conditions, land degradation and pollution.

In 2010, the chemical oxygen demand (COD) and sulphur dioxide emissions in Hainan Province were 95,000 tons and 39,700 tons respectively, which successfully met the emission reduction standards laid down by the government.

Meanwhile, the Hainan Provincial Ministry of Land & Resource has strictly implemented the national industrial policy, rejecting a number of projects involving high energy consumption, high emissions and production excess capacity.

The success of Hainan as an international tourism destination hinges on the island's ability to protect and use its natural resources sustainably.



Thanks to a series of positive measures, the air quality in 89% of urban areas on the island reached the 'National Level I' in 2010, and the water quality of 82.8% of rivers and 88.9% of lakes monitored was above the 'Surface Water Standard III'. Water quality in coastal regions is also generally up to required standards, although this will need to be carefully monitored at provincial level as tourist arrivals grow, and tourist activities – such as scuba diving and other water sports – raise the risk of pollution.

Individual efforts are impressive ...

Although it would be impossible to cite the many different case studies, individual efforts by local entrepreneurs, including SMEs, are impressive. By way of example, Mission Hills has retained the original black, volcanic rock, in the construction of its golf courses and, as well as preserving 20,000 native trees on its land, it planted another 50,000. In addition, its grounds feature beautiful man-made lakes and wetland where there used to be dry stone-pits to showcase and preserve native species of flora and fauna.

... as are the steps taken by government

Although there are still a number of additional considerations that should be integrated into overall planning and implementation, the Hainan Provincial Government has clearly taken environmental impacts into account in outlining its plans for future tourism development. Indeed, it should be commended for its efforts so far – some of which are highlighted below.

Solar-powered irrigation

Yangliu village in Changjiang City, which previously relied on electrical energy for irrigation, is the first in Hainan to have a solar irrigation system installed. The Solartech Solar System adopted converts irradiation from sunlight into electrical energy to draw water up from 15 metres underground. According to Solartech, the system generates 15,330 kWh of electricity each year.

Over a 25-year period, Solartech estimates it will be able to reduce emissions of carbon dioxide, sulphur dioxide, soot and ash by 63 tons, 2.8 tons, 2.16 tons and 37.44 tons respectively, as well as saving up to 144 tons of standard coal.

China's first tropical sea ranch

As already indicated, the possibility of overfishing and degradation of marine ecosystems is a concern in Hainan. Case studies from other parts of the world show that many of the world's fisheries have suffered. Aquaculture technology, such as sea ranches, is a response to the crisis, aiming to produce many species en masse and to speed up the recovery of stocks that have been hit the hardest.

A new initiative launched by Hainan Sea-View Paradise, developers of Wuzhizhou Island Resort off the coast of Haitang Bay, is the construction of China's first tropical sea ranch, which involves an initial investment of Rmb20 million. Through rearing fish and shellfish under artificially controlled

conditions, the sea ranch project aims to increase fishery resources, speed up the recovery of depleted stocks, and improve the local marine ecology.

By the time it is completed, the ranch will comprise approximately 18,000 cubic metres of artificial reefs. An audio system will also be installed to attract and manage tropical fish. The Sanya Municipal Government hopes that this first sea ranch will be followed by eight more within the next decade, although it has been estimated that investments of some Rmb265 million will be required to further these developments.

The Sanya Sea Ranch is expected to attract substantial numbers of tourists who are interested in the local marine ecology and sustainable fishing practices.

Looking to the Future

Importance of agriculture

Like tourism, agriculture is a main focus of the government's green and low-carbon schemes, mainly through the implementation of irrigation and water conservation technologies. And these of course have a direct impact on tourism.

But there is a serious concern. Although agriculture has always been of secondary importance to fishing in Hainan, and limited to non-grain crops, Hainan has very limited local produce and, as a result, the vast majority of food stocks for tourists – even fresh fruit – must be imported. With a rise in tourist numbers, this problem will be expounded, yet a significant share of the province's farmland is being converted into tourist resorts and attractions.

Although the farmers concerned are being well compensated and offered training for alternative employment – in the Travel & Tourism industry – there should be a continuing focus on developing the island's agriculture to help offset the need for imports. Not only will this improve the island's import bill, but it will also ensure continuing employment opportunities in agriculture for locals.

Irrigation and water conservation

Irrigation and water conservation technologies could also help compensate for seasonal droughts – a problem particularly felt by rural areas – as well as the depletion of water supplies so badly needed by rising tourism demands, and not least for the irrigation of golf courses. Increased water conservation facilities, including reservoirs, should be developed. There are plans to build a solar energy-powered desalination plant on one of the Paracel Islands for fresh water. But the government should also consider investing in a high-quality desalination plant on Hainan Island.

Growing waste management demands

While the major new resort developments, such as Haitang Bay and Qingshui (Clearwater Bay), have detailed plans for waste water and sewage treatment, there seems to be some evidence that not all developers have recognised the potential impact of

growing waste management demands. Waste can accumulate at several points of the tourism's product life cycle, including construction. The cost of treating and recycling waste must be factored carefully into development plans, as well as being co-ordinated across the different municipalities.

High-quality 'grey water' could potentially be used in the irrigation of food produce and golf courses. In addition, the government must plan to increase the number of waste treatment facilities to meet the impending numbers of tourists while taking into account the vast amounts of power needed to operate these plants. There must be a more widespread treatment of waste, especially as tourist numbers increase.

The government should also have systems in place to ensure that there is no illegal dumping of waste from any tourism establishments.

Land-use planning and resource management

Hainan Province has a major advantage over many of its direct competitors – its natural and cultural environment is relatively unspoilt and offers huge potential for sustainable tourism development. Conveying environmentally and culturally friendly policies, promoting voluntary accreditation schemes for the industry, and outlining best practice in tourism development, are all important steps that need to be taken to protect the country's main resources from over-development and exploitation.

The conservation of forest resources is important in adding to the

natural appeal of this tropical island's flora and fauna. In addition, they serve as natural water catchments and are carbon sinks. Policies should be developed to preserve the forests which, in turn, will enhance and diversify the island's tourism attractions. It is also critical that construction processes be managed carefully so as not to deplete the island's forestry.

Careful consideration should also be paid to the use of limited land resources and there should be effective policies in place for zoning of areas. The government has already sought to ensure this through its long-term planning. But there needs to be a balance between hotel and other tourism attractions, which may be land-intensive, with the needs of other industries such as agriculture. The two should be developed in harmony as they are complementary and possess strong linkages.

Environmental regulations and monitoring

Intelligent, transparent and dynamic environmental regulation is essential to ensuring the protection of Hainan's natural resources. In addition, the key to effective policies lies in monitoring and evaluation of the processes with compliance punishments and rewards if needed. And there should be local inspection agencies equipped to handle the monitoring systems.

This is particularly important given that there are currently no rules and regulations with regard to hotel and resort operations. Although the majority of the new resort operators adhere to strict standards imposed by their brand management, there is no guarantee that this will always be the case.



Education and awareness are two of the best tools for the development of responsible tourism – at the social, economic and environmental levels.

Role and responsibilities of local communities

Recognising the key role to be played by all stakeholders in Hainan's tourism development, there is a serious need for a deep level of local community engagement and empowerment. Ensuring ownership of the sustainable management of natural resources and tourism products will help to ensure the long-term sustainability of Hainan's tourism. Moreover, emphasis should be placed on the preservation of the province's rich cultural heritage and, in particular, its ethnic minorities. Engaging with these minorities will not only enhance the tourism product but also ensure that the local communities are stakeholders in the development of tourism while, at the same time, encouraging small businesses.

Education of tourists, locals and workers

Education and awareness are two of the best tools for the development of responsible tourism – at the social, economic and environmental levels. As already recommended, the Hainan Provincial Government should accelerate its efforts to build these concepts into the education system, promoting the economic, social and environmental benefits of sustainable Travel & Tourism development.

Sustainability will need a balance of private initiative, economic instruments and regulation. Global principles should be reflected in local action, and market-based delivery mechanisms should be encouraged. Micro-loans for local community-based sustainable tourism enterprises should be provided as incentives, and pilot projects used to evaluate and demonstrate local sustainability.

In addition to educating local communities as the benefits of tourism, as well as its positive and potentially negative impacts – and this should start in schools – it is also important to ensure the buy-in and engagement of guests tourists, so that they support the sustainable policies of government and play their part in preserving the natural environment.

STIMULATING TOURISM GROWTH

Innovative measures to stimulate tourism demand and investment

Travel & Tourism can only flourish and realise its full socio-economic potential within open and competitive markets. This is clearly recognised by both the Central Government and the Hainan Provincial Government, which has successfully embraced the central government's 'Opening-up' policy since it was designated a Special Economic Zone (SEZ) in 1988. As an SEZ, Hainan Province is able to offer an operating environment conducive to business, which has clearly proved attractive to potential investors.

In addition, the government has taken a number of initiatives – in line with the decision to elevate Hainan into an international tourism destination – to open up the market and stimulate demand, as well as enhancing Hainan's competitive edge.

Visa-free entry has been extended to nationals from a total of 26 countries ...

In December 2009, China's State Council proposed facilitating the border management of Hainan by extending the province's visa-free entry scheme to five additional countries – Finland, Denmark, Norway, Ukraine and Kazakhstan – as well as the 21 that had already been enjoying visa-free entry.

The 26 countries are Australia, Indonesia, Japan, Malaysia, New Zealand, Norway, the Philippines, Singapore, South Korea and Thailand in East Asia Pacific; Austria, Denmark, Finland, France, Germany, Italy, the Netherlands, Russia, Spain, Sweden, Switzerland, Ukraine and the UK in Europe; Kazakhstan in Central Asia; and the USA and Canada in North America.

Tourists benefiting from the scheme, who are mostly from Russia, Kazakhstan, South Korea and Malaysia, are now able to join tour groups (of a minimum two people) and register with the authorities just one day ahead of their scheduled departure date. The previous policy

required tourists to wait for about a month to have their visas processed at a cost of around US\$70 each.

Statistics from the Hainan Exit and Entry Administration show that more than 50,000 foreign tourists visited Hainan visa-free in the first half of 2011, up 30% year on year.

And Hainan's tourism revenues also appear to have been bolstered by the increased number of tourists. Revenues from January to June totalled Rmb15.33 billion (US\$2.4 billion), up 10.4%.

Extension of visa-free entry

Given the huge success of the initiative, the authorities should now look at extending the visa-free entry policy to cover foreign tourists who come to Hainan via Hong Kong or Macau.

... and offering tax- and duty-free shopping

WTTC's research has shown that transaction taxes are not conducive to foreign investment, and can be a real impediment to tourism growth generally. The government's decision to open up Hainan to duty- and tax-free shopping, therefore – even for Mainland Chinese, who generate the vast majority of arrivals – has proved a significant step forward in terms of Hainan's competitive edge vis-à-vis popular shopping destinations like Hong Kong.

Since the beginning of 2011, foreigners and Overseas Chinese in Hainan have been able to recoup 11% tax off goods purchased, and the scheme was extended to Mainland Chinese the month prior to the Chinese Labour Day holidays last May.

Since then, the number of monthly tourists in Hainan Province has reached 2.4 million, an 11.3% year-on-year increase, with the monthly average in Sanya at just under 800,000. Local industry believes that the scheme has had a very positive impact on demand for Hainan, at least among Mainland Chinese.

With the establishment of Hainan as China's third duty-free shopping zone, the island province is set to become a world leader in this field. The second duty-free store opened at Haikou Meilan Airport in December 2011. A third, due to come on line in 2012 in the Haitang Bay area of Sanya, will be the largest duty-free shopping centre in the world and will sell a range of both international and domestic brands. The project is part of an Rmb30 billion investment plan to build an integrated tourism resort in the area. The integrated tourism project is expected to provide over 10,000 jobs in Sanya and generate tax revenues of Rmb2 billion a year.

No gaming but sports lotteries to be developed

In 2010, the Chinese government relaxed lottery regulations, allowing Hainan to develop sports lotteries and instant sports lotteries on large international events, which is expected to enrich its tourism resources. For the moment, there are no plans to move into the gaming market and compete with Macau, China's gaming capital.

MARKET AND PRODUCT DIVERSIFICATION

Ensuring a Broader Market Base

Over-dependence on too few markets, notably Mainland China

Although Mainland China will continue to be Hainan Province's dominant source of tourism in future, and the majority of investments on the island have so far been geared to tapping the domestic market, over-dependence on one source is never wise. Most importantly, it can actually discourage the growth of other markets.

Invest in research to understand different market needs

Market diversification is important to reduce this over-dependence, but also because it can help spread tourism demand more equitably throughout the year, as well as to ensure that the benefits of tourism reach all parts of Hainan Province.

As far as foreign markets are concerned, Hainan is also overly dependent on Russia. In 2009, as discussed in the previous chapter, foreign arrivals fell by a massive 44% – almost entirely due to decline of the Russian market, which accounts for a 35% share of total foreign arrivals. A more balanced spread of demand would have helped to minimise this impact.

Furthermore, research into market trends and behaviour patterns would demonstrate clearly to the Hainan Provincial Government that there are a number of other sources with excellent potential for growth – both in the short and the longer term. Most efforts so far seem to have been focused on Northeast Asia (Japan, South Korea and Taiwan), while Southeast Asia and Europe also offer good growth potential.

Another interesting market for Hainan to seriously consider is India, whose economic growth in recent years has boosted disposable incomes, stimulating demand for leisure travel.

Nevertheless, it is important to recognise that each market has its own product preferences, travel patterns and behaviour, and it is important to understand these to ensure that the tourism products on offer adequately cater to these market differences.

If Hainan really wants to attract international visitors – rather than simply being perceived as an international destination – greater product diversification is needed, or it will not meet the stringent criteria demanded by today's affluent and environmentally conscious Western travellers.

New Products and Destinations

Aiming for a diversified product range

Although Hainan is perceived as a new, exotic destination, it faces serious competition from a growing number of similar hotspots in the Asian region – from well-established favourites such as Thailand or Bali, to the Maldives Islands and even less well-known resorts in Sri Lanka. Rate cutting for package tours and hotel accommodation is widespread and has already had a negative impact on prices and yields in some of these destinations – and the competition is likely to get tougher.

For this reason the Hainan Provincial Government has acted wisely in investing in product diversification. Although sun & beach tourism will clearly be the major draw for both Chinese and foreign tourists, the province has so much more to offer. The Master Plan is extremely comprehensive and well thought-out, and the next few years should see the development of new nature-based and cultural tourism products and destinations, as well as a host of theme parks and other attractions.

Quality is paramount

Continued diversification is recommended both to attract a wider range of market segments and to help to stimulate increased length of stay, boosting overnight volume and spending. Product diversification may also help avoid excessive strains on the coastal environment and on valuable natural resources in the medium to longer term.

Quality is of course paramount and the government should place even greater emphasis on promoting the Hainan Quality Assurance Programme, which involves assessing and certifying hotels, tours, parks, restaurants and other tourist amenities.

The following provides some observations and recommendations with regard to key products, destinations and segments.

Opening up the Parcel and Spratly Islands to tourism

The government's plans to open up the Parcel and Spratly Islands to tourism, starting with day trips from Sanya, could provide a new competitive edge. The islands, which lie 180 nautical miles from Hainan Island in the South China Sea, consist of over 130 small coral islands, sandbanks and reefs divided into two groups, occupying an area of about 15,000 square kilometres of ocean.

Although it is likely to be some time before the islands are able to support overnight tourism, day trips would be very popular, as well as being a means of developing the market for boat trips.

Sun and beach/coastal tourism

Already the most popular form of Travel & Tourism in the country, probably accounting for more than 90% of total tourist overnights, sun & beach tourism will continue to dominate demand. However, it is important for operators to recognise that such tourists today demand much more than just sun, sand and sea. They are actively seeking resorts that can provide good quality sporting facilities and non-stop entertainment, as well as other facilities such as spas for health and wellness.

The difficulty is that what suits the Chinese market will not necessarily appeal to Westerners, so careful planning is required to ensure that Hainan's tourism caters to the different cultural preferences, and budgets.

Cruise business ...

Hainan's tourism Master Plan calls for Sanya to become a major international cruise port over the coming decade and it is well on the way to achieving this target. In addition to being a growing port of call for cruise ships plying between Hong Kong, Macau and Vietnam, Sanya is now a homeport, with Star Cruises' *SuperStar Aquarius* based there.

Sanya's Phoenix Island, when completed, will be able to handle even the mega cruise ships, as well as having a large marina for yachts. In addition, Hainan is developing facilities to become the



region's leading marine centre, with four marine leisure bases: the Olympic water sports winter training base, the special sports base, the diving experience base, and the sea fishing base.

HTDC has been working with the Hong Kong Tourism Board for joint promotions of their respective tourism products, especially with regard to cruises. The agreement calls for Hainan to support Hong Kong in building itself into a regional cruise centre, while Hong Kong is to help Hainan become a transfer destination for cruise tours. The two are also co-operating with the authorities of Guangdong and Guangxi Provinces.

One factor discouraging growth, however, is the fact that Chinese citizens still need passports for even short cruises. So some kind of preferential treatment should be considered by the Chinese and provincial governments.

... and yachting

High-profile events, such as the Volvo Ocean Race, should help build Hainan's profile as an important yachting centre, especially given the participation of Hainan's new Team Sanya in this year's race.

Yachting in and around Hainan has been growing in importance and there are more than 80 private yachts berthed at the Sanya Hongzhou International Yacht Club, with the number of berths expected to reach 1,000 in the longer term. Under its management, the club has a hotel offering five-star services for member, as well as an Entry and Exit Hall, the only one set up in Hainan, which has attracted the attention of 20 international yachting brands like Pershing, Sunseeker, Azimut-Benetti, Beneteau and Brunswick, as well as yacht chandlers and suppliers.

Some 37% of the most luxurious yachts in China are reportedly docked at one of Hainan's five yachting clubs (two in Haikou and three in Sanya). And the relaxation of regulations for foreign-registered yachts, which can now stay up to 183 days a year in the waters of Hainan, will surely attract wealthy yacht-owning tourists from abroad.

Golf

Golf has already proved to be a major draw, helping to put Hainan on the world map in terms of major golf events. The province has not only wooed current and former big-name players to design new golf courses, but is now also attracting big-name players to participate in the growing number of international tournaments.

In addition to hosting some world-class events, such as the Omega Mission Hills World Cup and the World Ladies Championships (WLC), Hainan now has 26 golf courses in operation with some 70 more under construction or in planning.

The only concern is whether the number will not prove excessive – whether in terms of market saturation or, indeed, putting unnecessary strains on the natural environment and on precious

water supplies. This needs to be monitored carefully, especially since current plans for golf courses in Hainan appear to be overly ambitious given the supposed moratorium in China on golf course development in China.

Surfing

A new niche segment for Hainan, surfing appears to offer good growth potential, according to the conclusions and recommendations of SurfEXPLORE – a group of surfers who travel the world looking for new and exciting destinations, and who are extremely positive about Hainan's potential as a leading surfing destination. As a result, the government has spent around US\$1.5 million on improving infrastructure – including access and beaches – in Wanning, the surfing hotspot on the east coast.

This year Hainan was the host of China's first ever world-sanctioned professional surfing event, Wanning International Surfing Festival, together with the Swatch Girl Pro China, organised by the Regional Association of Surfing Professionals (ASP).

Nature-based tourism

Given the wealth of natural resources in the country, the most promising growth market in the longer term – after sun & beach tourism – is nature-based tourism, for which Hainan has unique selling appeal. It is also particularly important for the future well-being of the Hainanese locals as it has the potential of ensuring economic development and employment in rural areas that would have difficulty attracting manufacturing industries.

Among the different projects underway, the government has already made the decision to accelerate development of tropical forest tourism in Hainan with the intention of creating a tropical island forest tourism brand with international recognition and far-reaching influence. Hainan is expected to become a respected destination for tropical forest tourism contributing 30% of the gross revenue of Hainan's tourism industry within ten years.

The government's plan is to integrate all available tropical forestry resources under strict environmental protection criteria and create a scientific code on orderly forest tourism. Moreover, Hainan will also develop a new 'blue green' integrated model for tourism which combines forest tourism and coastal tourism to nurture core competitive strength in the island's tourism industry and create a unique tropical island forest tourism brand.

Four types of forest tourism products will be developed: forest sightseeing for the mass market, 'off-the-beaten-track' forest adventures that provide unique individual experiences, high-end immersive health vacations, and scientific research-based tours.

From the point of view of infrastructure, the government's decision calls for the construction of a number of high-grade forest tourism resorts and the development of forest cultural programmes, while further improving forest tourism services



and facilities. Full use will be made of solar energy, wind power, geothermal energy, bio-energy and other clean energy sources in order to maintain the sustainable development of forest tourism.

WTTC commends the Hainan Provincial Government for its significant efforts to promote and ensure sustainable tourism development. It should continue to show leadership in stimulating the development of new nature-based tourism products, providing incentives and matching funding to the private sector in rural and mountain regions, and encouraging buy-in by the local authorities and communities.

Cultural tourism

Hainan has a fascinating, as well as colourful, history that would be of great interest to both Chinese and foreign tourists. So it makes sense to develop tourism products and attractions based on this history, and not least on the importance of its ethnic minorities.

In order to regulate the construction and development of stylish cultural towns and cities in Hainan, Hainan's Provincial Government has formally released a list of the island's first ten cultural towns. These are Fengzhen in Haikou; Puqian in Wenchang, Fushan in Chengmai County, Hele in Wanning, Xinglong Huaqiao Farmland in Wanning, Boao in Qionghai, Jianfeng Town in Wanning and Shuiman Village in Wuzhishan.

According to the plan for cultural tourism development, the naming of Hainan's important cultural towns and villages is the first step towards the promotion of urban and rural development. The next step is to preserve and beautify the respective towns and villages and turn them into tourism attractions.

One important aspect of this will be to ensure that adequate documentation in different languages is produced to provide background information for tourists so as to enhance their tourism experience.

Other niche leisure segments

One niche segment that already appears to be a tourist attraction is Hainan's Fushan Coffee Culture Area in Chengmai, which recorded more than 110,000 tourists during the week-long National Day holiday in October – a significant increase on the previous year. Of these, 66,000 visited the Fushan Mountain Culture and Leisure Village and 42,000 the Yongqing Temple and Meilang Twin Towers reached. This was despite bad weather during the holiday.

A new series of tours such, include a self-drive option, was also promoted during the National Day holiday period.

MICE business

Since 2007, the meetings, incentives, conferences and exhibitions (MICE) market has been growing rapidly in Hainan. The number of large and medium-sized conferences is estimated to have reached 9,500 in 2011, contributing 13% of total tourism revenue for the province. As well as generating high yields and strong visibility, MICE is a year-round business.



Hainan has already invested quite heavily in building the necessary infrastructure for the MICE market, with the new Haikou International Convention & Exhibition Centre opening at the end of 2011. Other cities, such as Sanya and Boao, also have conference and exhibition centres and the big hotels, recently opened or under construction, will all have their own conference and meeting facilities.

The province has been especially good at attracting important leisure events, from Miss World and Miss Bikini International to the Omega Mission Hills World Golf Cup and Volvo Ocean Yacht Race – to name just a few.

Hainan Province is also a member of the Inter-islands Tourism Policy (ITOP) Forum which includes, in addition to Hainan, seven members: Jeju, South Korea; Okinawa, Japan; Bali, Indonesia; Phuket, Thailand; Zanzibar, Tanzania; Hawaii, USA; Canary Islands, Spain; and South Province, Sri Lanka.

The development of MICE facilities will require, not just big investment but also international know-how, ensuring that facilities meet international standards and can remain competitive throughout their business cycles. A comprehensive approach to development should be adopted, ensuring that hotel capacity and other support facilities, such as transport links, are developed according to the needs of new congress halls and conference centres.

In line with efforts to tap the potential of this sector, a Convention Bureau should be established, initially reporting to HTDC. This could play a valuable part in raising the level of the MICE business in Hainan to that of an important economic contributor and would embrace the following tasks:

- *Ensure complete co-ordination and synergy for the promotion of Hainan's MICE business;*
- *Position Hainan in the international marketplace as a new MICE destination;*
- *Serve as an initial/focal point of contact, distributing leads and allocating business transparently;*
- *Provide conference industry leadership and co-ordination, ensuring professionalism in the sector;*
- *Serve as a clearing-house of convention industry information; and*
- *Exert influence and link industry and government.*

Shopping

As already indicated, Hainan gained a new duty-free shop with the opening of a tax-free outlet at Haikou Meilan Airport in December 2011. The store is run by Hainan Duty Free Goods (HNDF), a subsidiary of the province's state-owned company Hainan International Tourism Island Development & Construction, which is allowed to import duty-free goods and operate duty-free shops in Hainan province under a joint venture with HNA Group.

The new shop is the second to open under a pilot programme launched by the Chinese Government in April 2011 to allow tourists and residents to enjoy duty-free shopping on certain imported products up to the value of Rmb5,000 (US\$790 approximately) twice a year. The first store in Sanya is run by China Duty Free Group and has proved popular among Mainland Chinese customers. Local customs statistics suggest that 1.2 million products were sold between 20 April and the end of November, with a total value of Rmb780 million (US\$123 million). According to local media reports, products sold at Hainan's duty-free shops are 10-35% cheaper than those in the domestic market. Travel retailer DFS Group is the supplier of goods for the new store after recently signing an agreement with HNDF.

The opening of the second store should help encourage competition, prevent a monopoly, and facilitate the healthy development of the duty-free market in Hainan.

To help further this goal, training teams from Hainan have also been sent to study the experience of Singapore in the construction of an international shopping centre.

MARKETING AND PROMOTION

Increasingly proactive approach to promoting Hainan's attractions

Hainan Tourism Development Commission (HTDC), known as the Hainan Tourism Bureau until 2009, is responsible for all marketing and promotion, as well as being the link between the public and private/operating sector of the Travel & Tourism industry in Hainan. In addition, different industry associations, dependent largely on membership dues to fund their activities, provide an important voice for the private sector, including foreign hotel management groups.

During the 11th Five-Year, Hainan's tourism promotion budget rose from less than Rmb1 million in the 10th Five-Year period to an annual average of Rmb20 million, reflecting the Hainan Provincial Government's prioritisation of the sector. Thanks to the increased funds, HTDC has significantly stepped up its marketing and promotional activities in recent years, ensuring a presence at leading domestic and international travel fairs and exhibitions, and conducting workshops and road-shows in selected markets in different regions of the world. Until now, its marketing has been mainly trade focused but more consumer advertising is planned, including TV spots through CNN and the BBC.

In addition, the government has set up overseas liaison offices for tourism in Russia, Germany and Hong Kong, as well as domestic offices in Beijing, Shanghai, Guangzhou and Chengdu, so as to further enhance the image and reputation of Hainan as a tourism destination.

HTDC co-ordinates many of its activities with the China National Tourism Administration (CNTA), the national tourism organisation, and co-operates with leading tour operators, CITS and CTS, to make use of their global sales channels for the promotion of Hainan. It has also signed agreements with the tourism administrations of Beijing and Shanghai, and the Hong Kong Tourism Board, to carry out multi-destination promotions.

In 2012, research teams from Hainan are being sent to Spain and Singapore to explore those destinations' experiences in international marketing and promotions, focusing on specific source countries and market segments.





Tourist information centres

Hainan Quality Technical Supervision Bureau recently approved two regulations drafted by the HTDC: on tourism information centre facilities and service qualification, and on tourism information collection.

There are currently nine tourist information centres in Hainan – in Baoting, Haikou, Sanya, Chengmai, Danzhou and other key cities and counties. These have three functions: tourism promotion, enabling tourists to know more about Hainan's tourism resources and culture; consulting services, offering information on tourism-related events and activities, as well as assistance to tourists suffering accidents during their stay in Hainan; and the handling of complaints.

The Tourism Information Collection Regulation defines the means of collecting information, the scope and content of the information, and its collation and updating.

New website

Thanks to HNA Group's IT subsidiary, which has built its new website and will be responsible for its maintenance, Hainan now has an official website address (www.VisitHainan.gov.cn). This effectively comprises three sites: one for visitors, one for the media and the third for potential investors. Once completed, the website will include visitor information in five languages (English, Russian, Japanese, Korean and Mandarin), as well as information for travel agents. It will also include a booking engine with HTDC taking a commission on all bookings.



Increase investment in marketing and promotion

Although HTDC's budget for marketing and promotion has been significantly increased, it remains very modest by international standards – especially for a new destination trying to establish itself on the world tourism map.

Investment in effective marketing and promotion of Hainan as an international tourism destination is critical to ensuring sustained demand from existing sources and to generating new demand. It is also important to emphasise Hainan's rich variety of attractions that cater to a wide range of tourism tastes and budgets, and to reinforce the potential for year-round tourism.

Create a new brand image for Hainan

In today's increasingly competitive global marketplace, there is a real need for a strong destination branding which optimises resources, focuses the myriad of interests – public and private sector, provincial and local – and attracts the attention of travellers. This is especially important for Hainan as it offers so much more than sun & beach – the current perceived image of the destination's attractions.

Until now, most of the efforts of the Hainan Provincial Government and HTDC appear to have been focused on promoting Hainan as the Chinese Hawaii, even replicating the now defunct Hawaii Visitor & Convention Bureau logo. If the world is to get to know and appreciate Hainan's many varied tourism resources and attractions, the time is ripe for conceiving a new brand image that differentiates Hainan from Hawaii, appealing to more discriminating tourist from markets the world over.

Attention also needs to be paid to overcoming the old image of Hainan Island among Mainland and Overseas Chinese as an over-priced, low-quality, poor-service destination.



Need for better island-wide co-ordination of MICE events

Given the opening of new convention and exhibition centres in Hainan Province, notably in the capital Haikou, the marketing of MICE events would be more effective if it is co-ordinated through a provincial Convention Bureau, which would also help tap the potential of the MICE market from different parts of the world.

Both the HTDC and the Convention Bureau, reporting to the HTDC, would be responsible for producing and disseminating timely market intelligence to different local stakeholders, as well as to potential investors in Hainan's Travel & Tourism industry. And they should work in close partnership with both the public and private sectors to facilitate the monitoring of trends and to stretch research and marketing dollars.

MONITORING TRENDS IN TOURISM DEMAND

The Hainan Provincial Government has taken an important step in forming the Hainan Branch of the National Tourism Research Institute. Its stated goal is also to establish as quickly as possible a new system of tourism data collection and monitoring. This is intended to include a tourism infrastructure database, tourism destination statistics and market trends.

In addition, it plans to develop a tourism resource sharing and data exchange platform based on cloud computing technology, build a platform for tourist credit card transactions, and open a tourism hotline service centre in line with international standards.

Importance of meaningful, timely research

In order to plan ahead better and anticipate necessary changes to tourism supply, it is essential to monitor trends in past and current Travel & Tourism demand. This will help identify threats to growth, as well as new opportunities.

Problems such as floods or water shortages can result in the cancellation of business by some tour operators and the requirement for compensation payments by hotels and other local firms. If such problems are not resolved quickly they, in turn, can irreparably damage a destination's image, and could even influence the country's ability to target desired markets and investors in the medium to longer term.

Monitoring demand trends on a regular basis, and communicating results clearly to all stakeholders in a timely fashion, implies the provision of good quality statistical data on Hainan's Travel & Tourism, including up-to-date statistics on visitor arrivals and departures, key market trends, hotel operating performance, expenditure patterns, attitudes and preferences, as well as on the overall economic contribution of Travel & Tourism.

In order to plan ahead better and anticipate necessary changes to tourism supply, it is essential to monitor trends in past and current Travel & Tourism demand. This will help identify threats to growth, as well as new opportunities.



A new branding for Hainan will require a co-ordinated approach to internet marketing and distribution to optimise the destination's visibility.

SAFETY & SECURITY

Significant efforts to raise standards across the industry ...

One of Hainan's main attractions for tourists is that it is a very safe destination. Crime is rare and policing is excellent. So WTTC especially commends the efforts made by the Hainan Provincial Government and HTDC in raising awareness of the critical importance of ensuring the safety and security of tourists, as well as taking proactive steps to anticipate any problems that may arise.

... such as a new scheme to ensure safer coastal tourism

One example is a new scheme implemented by the government for safer coastal practices. Red and yellow flags will be flying high across Hainan beaches in the future after island tourism leaders teamed up with Surf Life Saving Australia with regard to the recruitment of Australian lifeguards.

Other proposals to improve coastal safety are under discussion, including better controls of illegal diving practices by unregistered dive operators. At least 50% of the dive operators in Sanya are reportedly operating illegally, often failing to provide proper safety measures.

The Sanya Marine Fishery Agency is also investigating other illegal marine tourism activities and plans to introduce measures to stem these.

TECHNOLOGICAL ADVANCEMENT

Communications and information systems

The Hainan Provincial Government recently signed an agreement with the largest financial-industrial group of China, China Everbright, which will reportedly invest US\$540 million in the development of new communications and information systems and technologies in Hainan.

Plans call for the development of information technologies in the following areas: organisational structure of the HTDC; tourism opportunities for implementation in the future; assistance for travel and hotel services; tourism development; tourism marketing and promotion; and the development and promotion of cultural tourism.

E-marketing and distribution

A new branding for Hainan will nevertheless require a co-ordinated approach to internet marketing and distribution to optimise the destination's visibility. The HTDC has already taken the lead in developing a user-friendly website for potential tourists. And it should now take the lead again in promoting the use of technology and developing e-marketing skills in Travel & Tourism to achieve greater efficiencies and effectiveness, as well as to ensure the industry responds better to the needs of the changing marketplace.

Business models are changing almost daily and the industry needs support to stay abreast of these changes, as well as to respond to the demand for online self-tailored programmes and dynamic packaging.

In addition, the HTDC should develop a provincial tourism database, together with partners from the operating sector, so as to improve the distribution of Hainan's products – both through the travel trade and direct to consumers – and enhance the destination's image in key markets. However, experience in other destinations around the world has shown that, while public sector support for national and provincial destination databases is critical, the operation and marketing of these databases are best left to the industry itself.

NEW WAYS OF MEASURING TRAVEL & TOURISM

Social and Environmental Impacts

Looking beyond the economics

Travel & Tourism is a fast growing industry and one widely recognised as a valuable sector to the global and national economies. In terms of its contribution to employment and wealth creation – not just directly in Travel & Tourism, but also in a myriad related sectors on which the industry is dependent – it has proved to be a life-changer for many local communities around the world. There is every reason to assume that it could have the same benefits in Hainan.

Although its impact is largely economic – directly or indirectly – Travel & Tourism's value goes far beyond its economic impacts. It has the ability to regenerate and reinvigorate dying rural communities, providing new jobs and training opportunities, and therefore helping to attract back young people who have left their home villages to seek their fortunes in the big cities.

Many community needs are also directly relevant to tourism, eg roads, footpaths, bridges, walking trails, parks, gardens and public amenities. Efforts by the provincial and municipal authorities to improve facilities and amenities will help to instil pride in local people – pride in their local environment, their history and heritage. And this in turn can encourage buy-in for environmental protection and cultural heritage preservation, helping to ensure sustainable development for the benefit of future generations.

Weighing the benefits against the often over-estimated negative impacts

Admittedly, there are perceived fears about the possible negative impacts of Travel & Tourism, and there is strong evidence from around Asia and the world at large to show that these fears are justified. But these are largely related to poorly managed or mass tourism ventures. Such impacts must of course be minimised – and the Hainan Provincial Government can do a lot to avoid them through co-ordination with the respective developers and operators – but they also need to be measured against the benefits that tourism can bring.

It is of course also important to guard against destinations compromising, or even losing, their cultural identities by catering to the perceived needs of tourists. But empirical evidence suggests that an increasing number of tourists do not travel to seek the same experiences and home comforts that they enjoy every day in their own countries. They want to experience the personality and true character of new countries, communities and attractions.

Involving local communities in planning the tourism experience ...

As for local communities themselves – and Hainan has many examples of interesting towns and villages ripe for tourism – they must be actively involved in Travel & Tourism planning and implementation. As the accompanying examples of responsible tourism in China show, this will ensure they have a more positive attitude, are more supportive, and have a better chance of making a profit than a population passively ruled, or overrun, by tourism.

One of the core elements of sustainable tourism development is community development. This means that the Hainan Provincial Government must give local people the process and capacity to make decisions that consider the long-term economy, ecology and equity of their communities.

... and showcasing the real Hainan ...

Development of the tourism product does not necessarily require building 'tourist attractions', either. Tourism is often structured around existing points of interest, whether natural, heritage, cultural experiences or economic activities. Communities need to overcome the perception that

they must build things to become a tourism destination. Instead, they must focus on what they do best rather than trying to replicate other tourist attractions.

Tourism development that leverages existing attributes often brings a range of benefits to host communities. Improved infrastructure (power, water, and telecommunications), access, services (banks, transport) and new investments all serve to enhance the lifestyles of communities. Community support will follow developments that service the community and provide ongoing benefits.

... and its rich cultural diversity

Tourism is an interface for cultural exchange, facilitating the interaction between communities and visitors, both domestic and international. And outside contact with tourists draws attention to, and increases understanding and knowledge about, the host community and its cultural attractions.

Hainan has a number of cultural celebrations, highlighting important events and paying homage to ancestry and ethnic minorities. These can assert cultural identity and help preserve local traditions in younger generations while influencing visitors first hand. Tourism allows for local crafts, foods and personalities to be kept alive while raising funds for the community.

Tourism should not be seen as only the solution to economic hardship, but rather as a diversification of the local economy. And open communication channels with industry and government, proper consultation, transparency and involvement at the community level at all stages of the planning process, can help communities take ownership of their tourism product and create a win-win situation for all stakeholders.



Travel & Tourism's Contribution to Environmental Conservation

A report by the United Nations Environment Programme (UNEP) a few years ago discussed some of the different ways in which Travel & Tourism can contribute to environmental conservation. The following provides examples from this report that are relevant to Hainan's tourism development, as well as additional case studies highlighting best-practice responsible tourism in China. These were presented at the China Responsible Tourism Forum organised by the Beijing office of the Pacific Asia Travel Association (PATA) in December 2011.

Direct financial contributions

Tourism can contribute directly to the conservation of sensitive areas and habitat. Revenue from park entrance fees and similar sources can be allocated specifically to pay for the protection and management of environmentally sensitive areas. Special fees for park operations or conservation activities can be collected from tourists or tour operators.

- *In association and co-operation with leading international wildlife and conservation agencies like WWF International, The Eden Project, Dian Fosse Gorilla Fund International, The Jane Goodall Institute and the Wildlife Conservation Society in New York, Discovery Initiatives, a nature travel company dedicated to supporting wildlife and conservation through responsible wildlife tourism, actively encourages conservation efforts in a way that is not possible with conventional and more mainstream tour operators.*

Over US\$1 million has been contributed in total over the last decade. One beneficiary is the Orangutan Foundation which receives some US\$45,000 annually – money earned from just five tour groups of ten people visiting the Tanjung Puting National Park in Central Kalimantan. The park is under huge pressures from deforestation and river pollution from unrestricted gold mining and this money directly funds park staff and rangers, rehabilitation efforts for young orangutans, and the care centre.

Contributions to government revenues

Some governments collect money in more far-reaching and indirect ways that are not linked to specific parks or conservation areas. User fees, income taxes, taxes on sales or rental of recreation equipment, and license fees for activities such as hunting and fishing can provide governments with the funds needed to manage natural resources. Such funds can be used for overall conservation programs and activities, such as park ranger salaries and park maintenance.

- *The Seychelles has a US\$90 tax on travellers entering the country that goes directly to preserving the environment and improving tourism facilities.*
- *A white-water rafting tax is collected from everyone who participates in a commercial rafting trip to West Virginia, according to the US Environmental Protection Agency. The fee goes towards studying the environmental impacts of rafting. In addition, the rafting companies participate in several river clean-up days every year.*



- *The Central American state of Belize has a US\$39.25 departure tax, US\$3.75 of which goes directly to the Protected Area Conservation Trust, a Belizean fund dedicated to the conservation of the barrier reef and rainforest.*

Improved environmental management and planning

Sound environmental management of tourism facilities and especially hotels can increase the benefits to natural areas. But this requires careful planning for controlled development, based on analysis of the environmental resources of the area. Planning helps to make choices between conflicting uses, or to find ways of making them compatible. By planning early for tourism development, damaging and expensive mistakes can be prevented, avoiding the gradual deterioration of environmental assets significant to tourism.

Cleaner production techniques can be important tools for planning and operating tourism facilities in a way that minimises their environmental impacts. For example, green building (using energy-efficient and non-polluting construction materials, sewage systems and energy sources) is an increasingly important way for the tourism industry to decrease its impact on the environment. And because waste treatment and disposal are often major, long-term environmental problems in the tourism industry, pollution prevention and waste minimisation techniques are especially important for the tourism industry.

Raising environmental awareness among local people

Tourism has the potential to increase public appreciation of the environment and to spread awareness of environmental problems when it brings people into closer contact with nature and the environment. This confrontation may heighten awareness of the value of nature and lead to environmentally conscious behaviour and activities to preserve the environment.

- *Honduran schoolchildren from the capital city of Tegucigalpa are routinely taken to visit La Tigra cloud forest visitor centre, funded in part by ecotourist dollars, to learn about the intricacies of the rainforest.*

If it is to be sustainable in the long run, tourism must incorporate the principles and practices of sustainable consumption. Sustainable consumption includes building consumer demand for products that have been made using cleaner production techniques, and for services – including tourism services – that are provided in a way that minimises environmental impacts.

The tourism industry can play a key role in providing environmental information and raising awareness among tourists of the environmental consequences of their actions. Tourists and tourism-related businesses consume an enormous quantity of goods and services; moving them towards using those that are produced and provided in an environmentally sustainable way, from cradle to grave, could have an enormous positive impact on Hainan's local environment.

Environmental protection and preservation

Tourism can significantly contribute to environmental protection, conservation and restoration of biological diversity and sustainable use of natural resources. Because of their attractiveness, pristine sites and natural areas should be identified as valuable by designating them as national parks.

- *In Hawaii, laws and regulations were specially enacted to preserve the Hawaiian rainforest and to protect native species. The coral reefs around the islands and the marine life that depend on them for survival are also protected. As a result, Hawaii has become an international centre for research on ecological systems – and the promotion and preservation of the islands' tourism industry was the main motivation for these actions.*
- *The high-end Dominican Republic resort of Grupo Punta Cana was established with the goal of catering to luxury-class tourists while respecting the natural local habitat. The developers set aside 10,000 hectares of land as a nature reserve and native fruit tree garden and the Punta Cana Nature Reserve includes 11 fresh water springs surrounded by a sub-tropical forest where many species of unusual Caribbean flora and fauna live in their natural state. Guests can explore a 'nature path' leading from the beach through mangroves, lagoons of fresh water springs and dozens of species of Caribbean bird and plant life.*

The Punta Cana Ecological Foundation reforested some parts of the reserve that had been stripped of their native mahogany and other trees in the past. Other environmentally protective policies have been put into effect at the resort, such as programmes to protect the offshore barrier reefs and the recycling of wastewater for use in irrigating the grounds. The fairways of the resort's new golf course were planted with a hybrid grass that can be irrigated with seawater, and which requires less than half the usual amounts of fertiliser and pesticides.

Responsible tourism development to stimulate social change

Tourism can help bring about social change, says one of China's leading responsible tour operators, WildChina. But it can only be brought about by a reinforcing cycle. Most villages have neither the financial resources nor local manpower to regularly maintain, much less improve, the local infrastructure. WildChina has identified three important steps to ensuring responsible tourism development on the part of destinations and other suppliers: influencing local government, partnering with responsible travel professionals, and devising sustainable profit-sharing strategies. And the tour operator makes every effort to help in the process.

- *Guizhou Province is 'one of China's hidden treasures' – a province of vibrant minority cultures, lush terraced rice fields, and rich forests. It is also one of China's most underdeveloped and remote regions, with 2.55 million people living in absolute poverty, on an average annual income of less than US\$85. Education, health, water supply*

and waste treatment are the most pressing needs for many of its villages.

WildChina, which is committed to supporting and preserving local village culture, helps to repair local roads used for farming, as well as supporting villagers with local chores such as collecting wood and crops. In 2011, the operator led nine different tours to Guizhou, with volunteers among the tour participants, as well as guides, helping to build the local school and playgrounds, improving water irrigation systems, and assisting in donating books, building libraries, and assisting with other service projects.

Tourism has had a positive effect on wildlife preservation and protection efforts, notably in Africa but also in South America, Asia, Australia, and the South Pacific. Numerous animal and plant species have already become extinct or may become extinct soon. Many countries have therefore established wildlife reserves and enacted strict laws protecting the animals that draw nature-loving tourists. As a result of these measures, several endangered species have begun to thrive again.

- *In the Great Lakes region of Africa, mountain gorillas – one of the world's most endangered great apes – play a critical ecological, economic and political role. Their habitat lies on the borders of northwestern Rwanda, eastern Democratic Republic of Congo and southwestern Uganda. Establishment of a gorilla tracking permit means that just three habituated gorilla groups of about 38 individuals in total can generate over US\$3 million in revenue a year, making each individual worth nearly US\$90,000 a year to Uganda.*

The presence of such a valuable tourism revenue source in the fragile 'afromontane' forests ensures that these critical habitats are protected, thus fulfilling their valuable ecological function including local climate regulation, water catchment and natural resources for local communities.

Alternative employment and social sustainability

Tourism can provide an alternative to development scenarios that may have greater environmental impacts.

- *The Eco-escuela de Español, a Spanish language school created in 1996 as part of a Conservation International project in the Guatemalan village of San Andres, is an example. The community-owned school, located in the Maya Biosphere Reserve, combines individual language courses with home-stay opportunities and community-led ecotours. It receives around 1,800 tourists yearly, mostly from the USA and Europe, and employs almost 100 residents, of whom around 60% were previously engaged in mostly illegal timber extraction, hunting and 'milpas', or 'slash-and-burn' agriculture. Careful monitoring has shown that, among the families benefiting from the business, the majority have significantly reduced hunting practices, as well as the number and extension of slash-and-burn agricultural plots. Furthermore, as most families in the village benefit directly or indirectly*

from the school, community-managed private reserves have been established, and social pressure against hunting has increased.

- *Observing wild and semi-wild orangutans in their natural habitat is a significant environmental education opportunity for large numbers of domestic visitors. To enhance this education experience, the existing station at Bohorok, North Sumatra, was transformed from a rehabilitation centre into an orangutan viewing centre, thus offering another crucial contribution to the sustainable conservation of the rainforest ecosystem. By developing ecotourism for orangutan viewing under the new project, all visitors gain a rewarding personal experience from orangutans, wildlife and the rainforest ecosystem in general. This helps to increase their awareness of the importance of rainforest conservation. Moreover, tourism continues to provide a major source of income for the local population, thus promoting sustainable forest utilisation as a genuine alternative to timber exploitation and the poaching and trade of wildlife.*
- *Hope Town Beigou Village is a typical example of a village in China that has fallen into disrepair. Average annual income per inhabitant is low and the absence of any Class A tourism attractions, places of interest, or industries in the vicinity means there is no business base, making it especially difficult for young people to make a decent living in the village. So most of them have to work in Beijing. As a result, and thanks to China Resources, a hotel development is underway to help keep residents in the village. The sustainable hotel model is based on the 'scattered hotel' concept. The model retains the integrity of traditional village landscapes and historical details, connecting with the original residents, which gives guests the sense of being in a community. What makes it different is that the residents' village houses are being converted into hotel guestrooms, meeting rooms and restaurants, with the villagers becoming shareholders in the hotel owning company, which enables them to secure a new source of income once they move out of their houses.*

Environmental sustainability: With regard to hotel development and construction, repurposing existing buildings costs less, and has a much smaller carbon footprint than a new hotel does. The village lifestyle is retained, with a renewed focus on the application of environmental technologies, with easy access to potable water (and less use of bottled water), and energy savings thanks to food storage in original cellars.

Social sustainability: New job opportunities for local residents are created through hospitality service skills training programmes. Hotel guests can participate in hotel community projects which help local villagers develop small businesses by providing 'know-how'. Micro-financing is available from China Resources' Town and Village Bank to fund villagers' small business activities, such as producing organic foods, woollen clothing, etc. Hotel guests can also



engage fully with the village by attending wellness courses designed for the VillageAcademy.

- *The Schoolhouse at Mutianyu Great Wall project was launched in 2006 with a dual mission: profitability as well as social development. Over the course of the last five years, the project has grown significantly and now comprises three food and beverage (F&B) outlets, two lodging establishments, a glass-blowing enterprise, and agricultural products – in tandem with a vacation home/ timeshare business. Total investment in the project to date is approaching US\$15 million and turnover has increased by 90% this year over 2010.*

The whole concept of the Schoolhouse proposition is the strategy of small-scale business developments tied together by common management systems and shared resources. It takes account of the fact that large-scale development tends to disrupt communities with the benefits generally not trickling down to the local community.

The Schoolhouse model, on the other hand, engages the local community, uses environmentally friendly construction methods – as well as existing footprints and local materials – adopts the best, affordable technology, serves local foods made from scratch, and operates sustainably. In terms of engaging the local community, the Schoolhouse project in Mutianyu has leased under-utilised buildings, prefers to employ local people whenever possible, supports local businesses – such as builders, suppliers and service providers – shares the growing pie, and interfaces with government. So it is a win-win situation for all stakeholders.

Regulatory measures

Regulatory measures can help offset negative impacts. As an example, controls on the number of tourist activities and movement of visitors within protected areas can limit impacts on the ecosystem and help maintain the integrity and vitality of the site. Such limits can also reduce the negative impacts on resources.

Limits should be established after an in-depth analysis of the maximum sustainable visitor capacity. This strategy is being used in the Galapagos Islands, where the number of ships allowed to cruise this remote archipelago is limited, and only designated islands can be visited, ensuring visitors have little impact on the sensitive environment and animal habitats.

Poverty Alleviation through UNWTO's ST-EP Initiative

The Sustainable Tourism - Eliminating Poverty Initiative (ST-EP), launched by the World Tourism Organization (UNWTO) more than ten years ago, promotes poverty alleviation through the provision of assistance to sustainable development projects. The initiative focuses on enhancing the organisation's longstanding work to encourage sustainable tourism – social, economic, cultural and ecological – with activities that specifically alleviate poverty, deliver development, and create jobs for people living on less than US\$1 a day.

The ST-EP Initiative, which has direct relevance for Hainan Province, is an effective tool to make a tangible contribution to the United Nations Millennium Development Goals (MDGs). Tourism can play a significant role in addressing extreme poverty and hunger, gender equality, environmental sustainability and global partnership.

The seven ST-EP mechanisms

In the publication *Tourism and Poverty Alleviation: Recommendations for Action*, the ST-EP Initiative presented seven different mechanisms through which the poor can benefit from tourism. These have become an important philosophy of the ST-EP Initiative and have been widely disseminated and incorporated in ST-EP projects, studies, seminars, training and related conferences. The following provides a brief overview of each mechanism, which summarises the main recommendations made by WTTC to the Hainan provincial Government:

1. Employment of the poor in tourism enterprises

This mechanism involves measures to increase the level of the poor working in tourism enterprises. It addresses poverty directly by enabling the poor to develop their own skills; by allowing for the possibility of a large number of people to benefit directly; and by raising standards of service. It is important that the provision of education and training in Hainan is strengthened so that the poor may respond to such opportunities, and any social or cultural barriers are removed.

2. Supply of goods and services to tourism enterprises by the poor, or by enterprises employing the poor

One of the fundamental conditions to achieving poverty reduction is in ensuring that goods and services in the tourism supply chain come, as much as possible, from local sources. Maximising the proportion of tourism spending that is retained in local communities and involving the poor in the supply process are also important. This measure can help support traditional forms of rural activities and skills, enhance the quality and identity of the local tourism product, and help establish stable sources of business.

3. Direct sales of goods and services to visitors by the poor (informal economy)

One of the main ways in which poor people seek to earn income from tourists is through selling produce and services, such as fruits, handicrafts or guided tours, directly to them. Where visitors engage with this informal economy, it can be a successful direct route to providing income to the poor, and it can provide visitors with a colourful and rewarding experience.

Information provision to tourists on available local products is important, as well as training local people to ensure their products meet the quality requirements of visitors.

4. Establishment and running of small, micro or community-based tourism enterprises, or joint ventures by the poor (formal economy)

This involves the establishment and management of more formal tourism enterprises by the poor, either individually or at a community level. These may include accommodation establishments, catering, transport, retail outlets, guiding and entertainment. Advantages of enterprise formation at the local level are that it places power and control in the hands of the local people, it can guarantee investments for the longer term, and it enables enterprises to establish a scale of operation needed to attract customers.

5. Redistribution of proceeds from tax or charge on tourists or tourism enterprises

The revenues that are earned by national or local government from tourism can be used to reduce poverty so that the poor can benefit from tourism without being directly engaged in the sector. The extent to which government adopts this policy will depend on provincial priorities and programmes. Taxes or levies raised locally, for example, through levies on bednights or entrance fees for protected areas, can often be used fully or partly for community benefits. Transparency in the application of local taxes is essential, as well as consultation with the private sector to avoid deterring the industry and travellers by imposing too high taxation levels.

6. Voluntary gifts and support by tourists or tourism enterprises

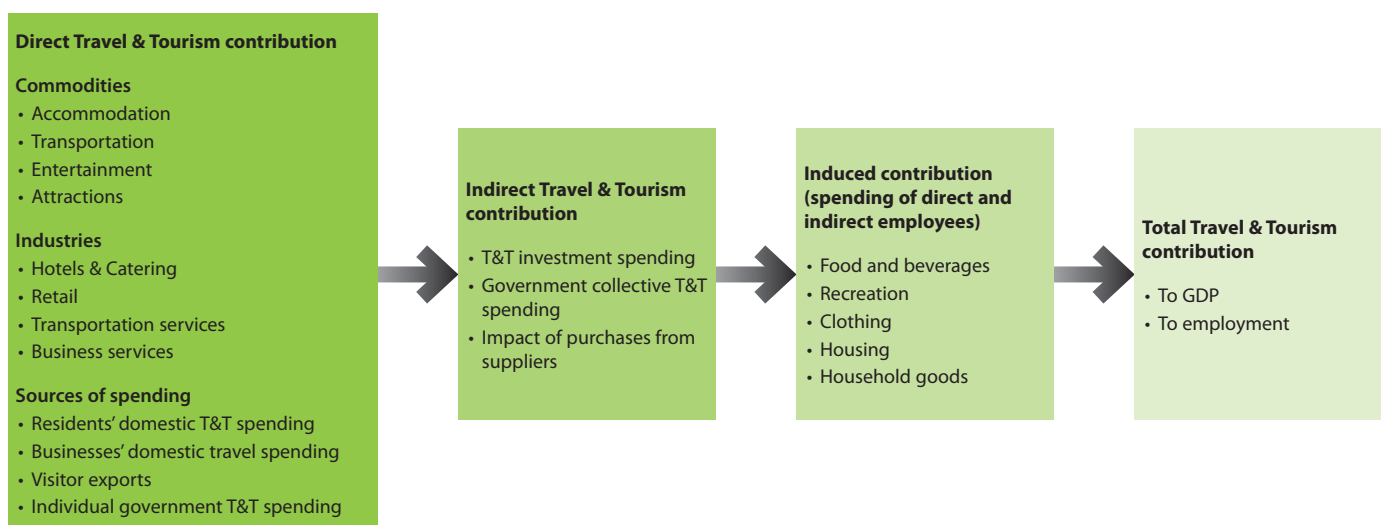
Voluntary support in money or in kind, given by visitors or tourism enterprises to the poor, can act as influential drivers for local poverty reduction. Various studies have pointed to a willingness among tourists to give something back to the local community they are visiting. Many tourism enterprises are also committed to providing sponsorship to development initiative in the areas where they operate. Local NGOs or trusts may help develop mechanisms for the collection and dispersal of donations. Beneficiary schemes clearly showing tangible local impact and community involvement have a high chance of attracting sponsorship and visitor support.

7. Investment in infrastructure stimulated by tourism also benefits local poor people, directly or through support to other sectors

Tourism development, particularly in a new, remote or rural location, can include investment in new infrastructure, such as roads, water and energy supply, sanitation and communications. With careful planning, such infrastructure can also bring positive benefits to the poor, by providing them with basic services and opening up new and faster routes to access markets. The main challenge is to make sure that new tourism development is not consuming resources at the expense of local communities, but rather offering them the chance to gain new access to them.

THE ECONOMIC CONTRIBUTION OF HAINAN'S TRAVEL & TOURISM

Travel & Tourism is an important economic activity in most countries around the world. As well as its direct economic impact, the industry has significant indirect and induced impacts. The UN Statistics Division-approved Tourism Satellite Accounting methodology (TSA:RMF 2008) quantifies only the direct contribution of Travel & Tourism. But WTTC recognises that Travel & Tourism's total contribution is much greater, and aims to capture its indirect and induced impacts through its annual research.



Direct Contribution

The direct contribution of Travel & Tourism to GDP reflects the 'internal' spending on Travel & Tourism (total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes) as well as government 'individual' spending - spending by government on Travel & Tourism services directly linked to visitors, such as cultural (eg museums) or recreational (eg national parks).

The direct contribution of Travel & Tourism to GDP is calculated to be consistent with the output, as expressed in National Accounting, of tourism-characteristic sectors such as hotels, airlines, airports, travel agents and leisure and recreation services that deal directly with tourists.

The direct contribution of Travel & Tourism to GDP is calculated from total internal spending by 'netting out' the purchases made by the different tourism sectors. This measure is consistent with the definition of Tourism GDP, specified in the 2008 *Tourism Satellite Account: Recommended Methodological Framework* (TSA: RMF 2008).

Total Contribution

The total contribution of Travel & Tourism includes its 'wider impacts' (ie the indirect and induced impacts) on the economy. The 'indirect' contribution includes the GDP and jobs supported by:

- Travel & Tourism investment spending – an important aspect of both current and future activity that includes investment activity such as the purchase of new aircraft and construction of new hotels;
- Government 'collective' spending, which helps Travel & Tourism activity in many different ways as it is made on behalf of the 'community at large' – eg tourism marketing and promotion, aviation, administration, security services, resort area security services, resort area sanitation services, etc;
- Domestic purchases of goods and services by the sectors dealing directly with tourists - including, for example, purchases of food and cleaning services by hotels, of fuel and catering services by airlines, and IT services by travel agents.

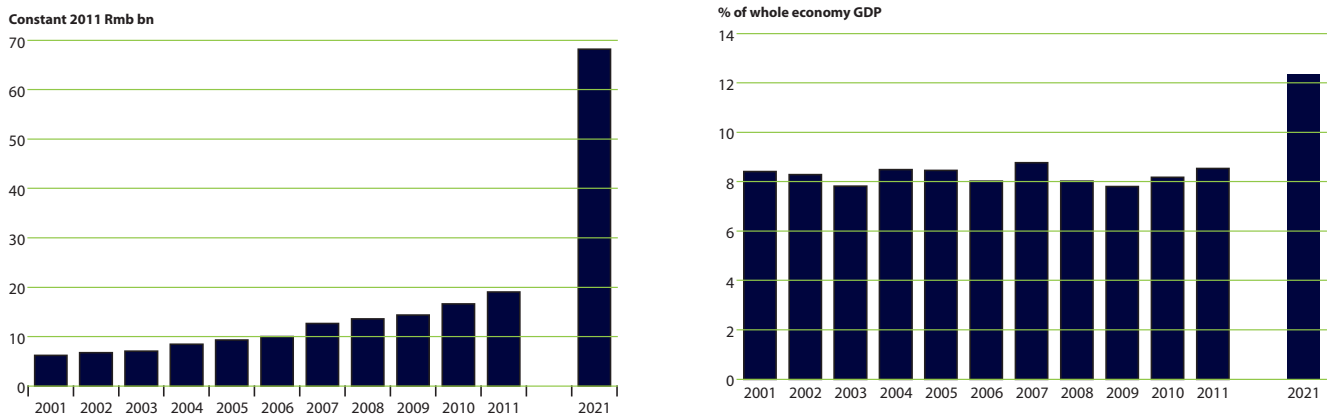
The 'induced' contribution measures the GDP and jobs supported by the spending of those who are directly or indirectly employed by the Travel & Tourism industry.

TRAVEL & TOURISM'S CONTRIBUTION TO GDP¹

The direct contribution of Travel & Tourism to GDP was around Rmb19.0 bn in 2011 (8.5% of GDP). This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also included, for example, the activities of the restaurant and leisure industries directly supported by tourists.

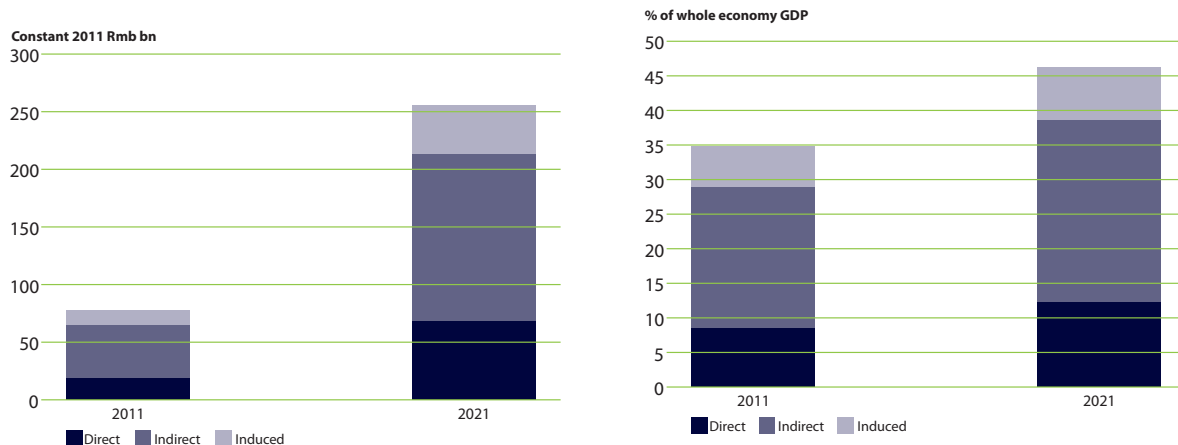
The direct contribution of Travel & Tourism to GDP is expected to grow by 13.6% per annum (pa) to Rmb68.2 bn (12.4% of GDP) by 2021.

Hainan: Direct Contribution of Travel & Tourism to GDP



The total contribution of Travel & Tourism to GDP (including wider effects from investment, the supply chain and induced income impacts) was estimated at Rmb77.5 bn in 2011 (34.8% of GDP). It is forecast to rise by 12.7% pa from Rmb255.1 bn by 2021 (46.2% of GDP).

Hainan: Total Contribution of Travel & Tourism to GDP



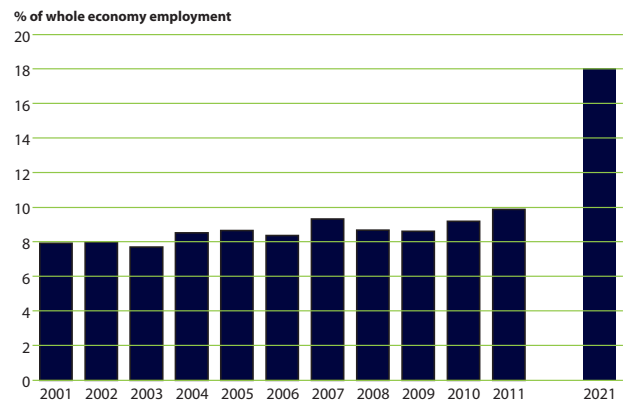
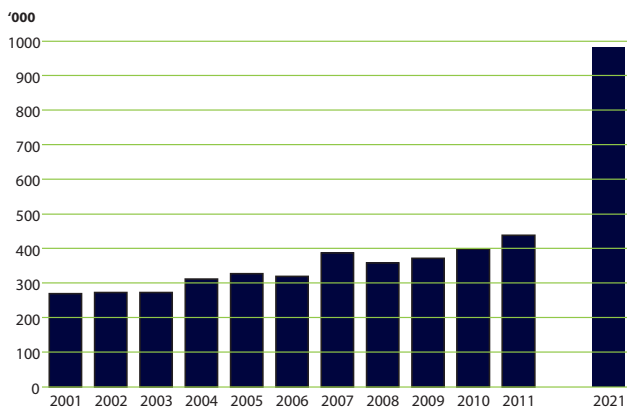
¹ All values are in constant 2011 prices & exchange rates

TRAVEL & TOURISM'S CONTRIBUTION TO EMPLOYMENT

Travel & Tourism was expected to generate 438,000 jobs directly in 2011 (9.9% of total employment). This included employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also included, for example, the activities of the restaurant and leisure industries directly supported by tourists.

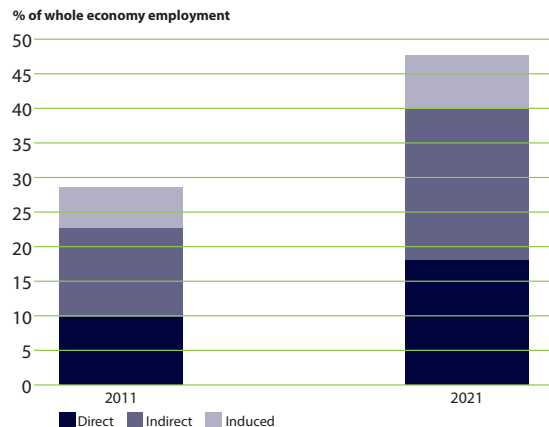
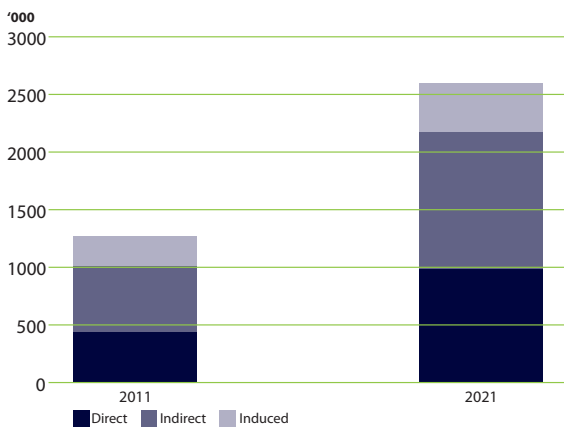
By 2021, Mainland China and foreign tourist arrivals are forecast to total 80,438,000, an increase of 10.4% pa generating expenditure of Rmb110.8 bn.

Hainan: Direct Contribution of Travel & Tourism to Employment



The total contribution of Travel & Tourism to employment (including wider effects from investment, the supply chain and induced income impacts) was around 1,268,000 jobs in 2011 (28.6% of total employment). By 2021, Travel & Tourism is forecast to support 2,594,000 jobs (47.6% of total employment), an increase of 7.4% pa over the period.

Hainan: Total Contribution of Travel & Tourism to Employment

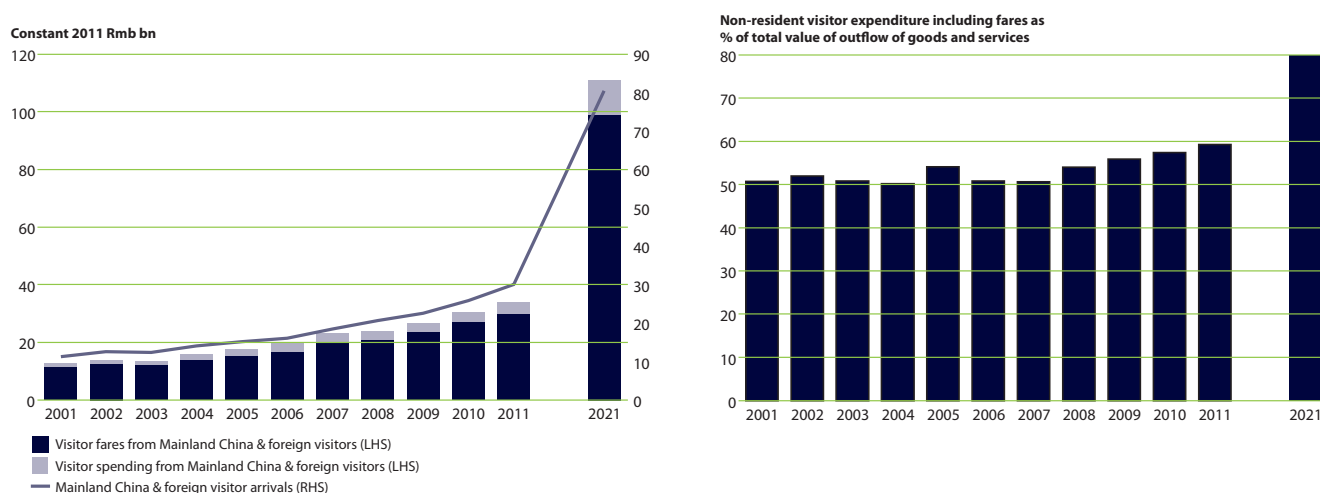


NON-RESIDENT VISITOR EXPENDITURE INCLUDING FARES¹

Non-resident visitor expenditures including fares are a key component of the direct contribution of Travel & Tourism. Hainan was expected to attract around 30 million Mainland China and foreign tourist (overnight visitor) arrivals in 2011, contributing Rmb33.9 bn in overall non-resident visitor expenditures including fares.

The direct contribution of Travel & Tourism to GDP is expected to grow by 13.6% per annum (pa) to Rmb68.2 bn (12.4% of GDP) by 2021.

Hainan: Non-Resident Visitor Expenditure Including Fares and Mainland China and Foreign Visitor Tourist Arrivals



INVESTMENT

Travel & Tourism was expected to attract capital investment of Rmb76.3 bn, rising by 9.5% pa to Rmb189.1 bn.

This means that Travel & Tourism's share of total Hainan investment will rise from 50.9% in 2011 to 53.2% in 2021.

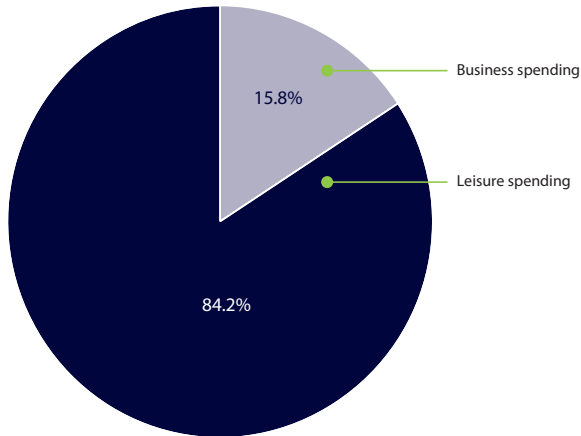
Hainan: Capital Investment in Travel & Tourism



¹ All values are in constant 2011 prices and exchange rates

DIFFERENT COMPONENTS OF TRAVEL & TOURISM¹

Hainan: Direct Contribution of Travel & Tourism to Employment

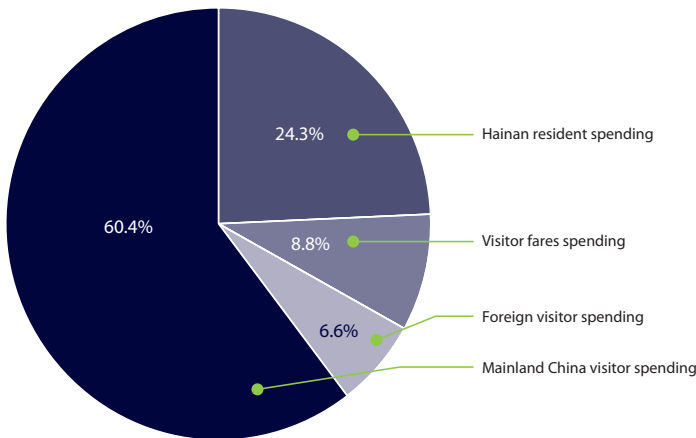


Leisure travel spending (inbound and domestic, including fares) was expected to generate 84.2% of direct Travel & Tourism GDP in 2011 compared with 15.8% for business travel spending.

Leisure travel spending was expected to total Rmb37.7 bn in 2011, rising to Rmb128.2 bn in 2021.

Business travel spending was expected to total Rmb7.1 bn in 2011, rising to Rmb10.7 bn in 2021.

Hainan: Travel & Tourism's Direct Contribution to GDP, 2011

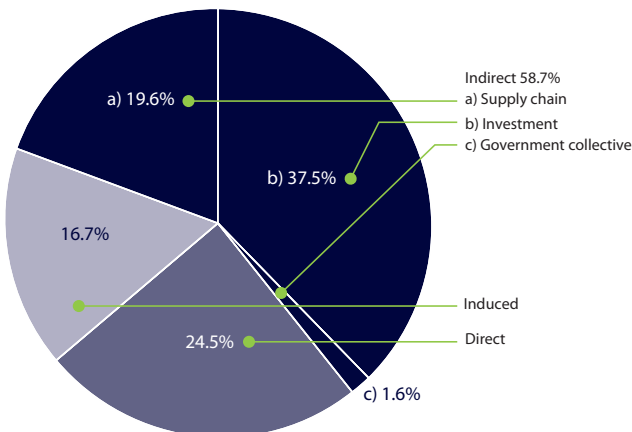


Hainan resident travel spending was expected to generate 24.3% of direct Travel & Tourism GDP in 2011 compared with 60.4% for Mainland China visitor expenditure.

Hainan resident travel spending was expected to total Rmb10.9 bn in 2011, rising to Rmb28.1 bn in 2021.

Non-resident visitor expenditures including fares were expected to total Rmb33.9 bn in 2011, rising to Rmb110.8 bn in 2021.

Hainan: Breakdown of Travel & Tourism's Total Contribution to GDP, 2011



The Travel & Tourism industry contributes to GDP and employment in many ways as detailed on page 89.

The total contribution of Travel & Tourism to Hainan's GDP is four times greater than its direct contribution.

¹ All values are in constant 2011 prices and exchange rates

WTTC LEAGUE TABLE RANKINGS, 2011

Absolute Contribution

Travel & Tourism's Direct Contribution to GDP		
		2011 (US\$ bn)
1	United States	403.96
2	China	166.73
3	Japan	120.12
12	India	34.01
14	Indonesia	25.31
17	Thailand	20.48
21	Malaysia	18.27
	World Average	15.68
29	Macau	11.62
31	Hong Kong	11.38
55	Vietnam	3.99
63	Hainan	2.94

Travel & Tourism's Total Contribution to GDP		
		2011 (US\$ bn)
1	United States	1,349.64
2	China	565.63
3	Japan	376.55
14	India	79.70
15	Indonesia	73.25
18	Thailand	50.05
	World Average	47.44
25	Malaysia	40.00
30	Hong Kong	29.45
35	Macau	24.29
54	Hainan	12.00
58	Vietnam	10.37

Travel & Tourism's Direct Contribution to Employment		
		2011 (‘000)
1	India	24,931.3
2	China	23,086.9
3	United States	5,491.6
5	Indonesia	2,995.8
7	Thailand	1,858.0
11	Japan	1,455.2
12	Vietnam	1,415.3
	World Average	797.7
20	Malaysia	767.7
32	Hainan	437.8
54	Hong Kong	210.1
63	Macau	146.2

Travel & Tourism's Total Contribution to Employment		
		2011 (‘000)
1	China	64,779.5
2	India	37,654.7
3	United States	14,777.6
4	Indonesia	8,881.3
7	Thailand	4,523.2
9	Japan	4,455.6
11	Vietnam	3,751.3
	World Average	2,008.4
25	Malaysia	1,586.7
30	Hainan	1,267.8
63	Hong Kong	426.5
75	Macau	266.4

Travel & Tourism Investment		
		2011 (US\$ bn)
1	United States	130.92
2	China	95.80
3	Japan	34.57
4	India	26.70
14	Indonesia	12.20
15	Hainan	11.82
19	Thailand	8.63
27	Malaysia	4.89
28	Hong Kong	4.60
29	Vietnam	4.59
	World Average	3.67
45	Macau	2.06

Visitor Exports		
		2011 (US\$ bn)
1	United States	171.22
2	China	59.52
10	Thailand	24.30
11	Hong Kong	23.79
14	Macau	20.88
16	Malaysia	20.02
23	India	14.70
25	Japan	13.99
33	Indonesia	9.29
	World Average	6.44
47	Hainan	5.25
55	Vietnam	3.95

Hainan already ranked 11th in the world in WTTC's League Table Rankings for Capital Investment in Travel & Tourism in 2011 – an impressive performance given the province's small size vis-à-vis that of its direct, mainly country competitors.

The tables on pages 93-95 provide brief extracts from the full WTTC Country League Table Rankings, highlighting comparisons with competing destinations as well as with the world average. The competing destinations selected are those that offer a similar tourism product and compete for tourists from the same set of origin markets. These tend to be, but are not exclusively, geographical neighbours.

WTTC LEAGUE TABLE RANKINGS, 2011

Relative Contribution

In terms of Travel & Tourism's relative contributions, Hainan's ranking was already well above the world average in 2011, by all the different measures. And it topped the chart with regard to Travel & Tourism's share of Capital Investment – far ahead of all its competitors, and even Macau SAR.

Travel & Tourism's Direct Contribution to GDP		
		2011 % share
1	Macau	38.8
22	Hainan	8.5
34	Malaysia	7.2
41	Thailand	5.9
	World Average	5.1
61	Hong Kong	4.6
84	Vietnam	3.5
94	Indonesia	3.2
110	United States	2.6
115	China	2.5
133	Japan	2.2
145	India	1.9

Travel & Tourism's Total Contribution to GDP		
		2011 % share
1	Macau	81.1
13	Hainan	34.8
42	Malaysia	15.8
51	Thailand	14.3
	World Average	13.9
66	Hong Kong	11.9
83	Vietnam	9.2
84	Indonesia	9.1
89	United States	8.8
91	China	8.6
116	Japan	6.9
159	India	4.5

Travel & Tourism's Direct Contribution to Employment		
		2011 % share
1	Macau	42.8
20	Hainan	9.9
41	Malaysia	6.7
44	Hong Kong	5.9
	World Average	5.2
49	India	5.0
56	Thailand	4.7
71	United States	3.9
97	Vietnam	3.0
100	China	2.9
108	Indonesia	2.7
128	Japan	2.3

Travel & Tourism's Total Contribution to Employment		
		2011 % share
1	Macau	78.0
19	Hainan	28.6
47	Malaysia	13.8
	World Average	13.5
62	Hong Kong	11.9
64	Thailand	11.5
71	United States	10.5
91	China	8.2
94	Indonesia	8.1
96	Vietnam	8.0
102	India	7.5
108	Japan	7.1

Travel & Tourism Investment Contribution to Total Capital Investment		
		2011 % share
1	Hainan	50.9
2	Macau	47.2
31	Vietnam	11.9
44	Thailand	9.7
46	Malaysia	9.4
52	Hong Kong	8.8
	World Average	8.5
97	United States	5.3
107	Indonesia	4.7
108	India	4.7
137	China	3.3
45	Macau	2.1

Visitor Exports Contribution to Total Exports		
		2011 % share
4	Macau	70.35
8	Hainan	59.2
89	Thailand	9.7
95	Malaysia	8.6
96	United States	8.5
	World Average	5.8
118	Indonesia	4.9
122	Vietnam	4.6
124	Hong Kong	4.3
131	India	3.8
150	China	2.9
166	Japan	1.6

WTTC LEAGUE TABLE RANKINGS, 2011 - 2021

10-year Real Growth per annum

Travel & Tourism's Direct Contribution to GDP		
2011 - 2021 (10-year real growth % pa)		
1	Hainan	13.6
5	China	9.0
6	Thailand	8.2
7	India	8.1
14	Vietnam	6.9
40	Indonesia	5.8
50	Hong Kong	5.6
69	Malaysia	5.1
77	Macau	5.0
World Average		4.4
141	United States	3.5
165	Japan	2.4

Travel & Tourism's Total Contribution to GDP		
2011 - 2021 (10-year real growth % pa)		
1	Hainan	12.7
4	China	9.1
6	India	8.8
8	Thailand	7.5
18	Vietnam	6.6
37	Indonesia	5.8
65	Macau	5.2
71	Malaysia	5.0
74	Hong Kong	5.0
World Average		4.1
143	United States	3.2
176	Japan	1.6

Travel & Tourism's Direct Contribution to Employment		
2011 - 2021 (10-year real growth % pa)		
1	Hainan	8.4
11	Thailand	4.9
31	Malaysia	3.7
93	Hong Kong	2.3
104	Indonesia	2.1
109	Vietnam	2.1
111	India	2.0
World Average		1.9
132	United States	1.5
138	China	1.4
154	Japan	0.7
158	Macau	0.4

Travel & Tourism's Total Contribution to Employment		
2011 - 2021 (10-year real growth % pa)		
2	Hainan	7.4
23	Thailand	4.0
37	Malaysia	3.5
74	China	2.6
84	India	2.3
World Average		2.2
98	Hong Kong	2.1
99	Indonesia	2.0
110	Vietnam	1.8
117	United States	1.7
138	Macau	1.2
155	Japan	0.2

Travel & Tourism Investment		
2011 - 2021 (10-year real growth % pa)		
2	Hainan	9.5
5	Thailand	8.8
6	India	8.7
8	China	8.5
21	Malaysia	6.9
26	Macau	6.7
44	Vietnam	6.0
46	Indonesia	6.0
World Average		5.4
69	Hong Kong	5.2
91	United States	4.6
169	Japan	1.6

Visitor Exports		
2011 - 2021 (10-year real growth % pa)		
1	Hainan	12.6
5	Thailand	9.2
17	Vietnam	7.4
19	Japan	7.2
21	India	7.1
39	Hong Kong	6.2
74	Malaysia	5.3
86	China	4.9
89	Indonesia	4.8
World Average		4.3
111	Macau	4.3
136	United States	3.5

But if Hainan's 2011 rankings were impressive, the forecast development of the province's Travel & Tourism over the next 10 years is nothing short of spectacular, with Hainan firmly in first place in WTTC's world rankings for annual growth from 2011 to 2021, according to all measures – direct and total contribution to GDP and Employment, Investment and Visitor Exports.

SUMMARY TABLES

Estimates and Forecasts

HAINAN	2011			2021		
	Rmb bn ¹	% of total	Growth ²	Rmbbn ¹	% of total	Growth ³
Direct contribution to GDP	19.0	8.5	14.5	68.2	12.4	13.6
Total contribution to GDP		34.8	26.1	255.1	46.2	12.7
Direct contribution to employment ⁴	438	9.9	10.0	983	18.0	8.4
Total contribution to employment ⁴	1,268	28.6	8.6	2,594	47.6	7.4
Non-resident visitor expenditure including fares	33.9	59.2	12.0	110.8	79.9	12.6
Non-resident visitor spending	30.0	52.4	11.5	98.9	71.3	12.7
Visitor Fares	3.9	6.9	15.5	11.9	8.6	11.7
Hainan resident spending	10.6	4.7	9.9	27.0	4.9	9.9
Leisure spending	37.7	16.9	12.9	128.2	23.2	13.0
Business Spending	7.1	3.2	4.2	10.7	1.9	4.2
Capital investment	76.3	50.9	22.5	189.1	53.2	9.5

¹2011 constant prices & exchange rates; ²2011 real growth adjusted for inflation (%);

³2011-2021 annualised real growth adjusted for inflation (%); ⁴000 jobs.

CHINA	2011			2021		
	US\$ bn ¹	% of total	Growth ²	US\$ bn ¹	% of total	Growth ³
Direct contribution to GDP	166.7	2.5	12.6	394.1	2.7	9.0
Total contribution to GDP	565.6	8.6	12.8	1,355.9	9.2	9.1
Direct contribution to employment ⁴	23,087	2.9	6.3	26,628	3.2	1.4
Total contribution to employment ⁴	64,780	8.2	6.4	83,390	10.0	2.6
Visitor exports	59.5	2.9	12.7	96.0	2.7	4.9
Domestic spending	299.5	4.5	12.5	743.9	5.0	9.5
Leisure spending	273.7	4.1	12.2	645.9	4.4	9.0
Business spending	89.7	1.4	13.4	205.1	1.4	8.6
Capital investment	95.8	3.3	11.9	215.6	3.5	8.5

¹2011 constant prices & exchange rates; ²2011 real growth adjusted for inflation (%);

³2011-2021 annualised real growth adjusted for inflation (%); ⁴000 jobs.

ASIA	2011			2021		
	US\$ bn ¹	% of total	Growth ²	US\$ bn ¹	% of total	Growth ³
Direct contribution to GDP	523	2.7	5.6	953	2.8	5.9
Total contribution to GDP	1,607.4	8.2	5.5	2,903.3	8.7	5.8
Direct contribution to employment ⁴	63,891	3.5	3.6	77,502	3.7	1.9
Total contribution to employment ⁴	145,802	7.9	3.8	184,709	8.9	2.4
Visitor exports	289	4.3	5.6	496	3.6	5.6
Domestic spending	834	4.2	5.7	1,559	4.7	6.1
Leisure spending	860	4.4	5.3	1,566	4.6	5.9
Business spending	278	1.4	6.6	515	1.5	6.1
Capital investment	248	4.1	7.1	482	4.1	6.7

¹2011 constant prices & exchange rates; ²2011 real growth adjusted for inflation (%);

³2011-2021 annualised real growth adjusted for inflation (%); ⁴000 jobs.

BREAKDOWN OF THE ECONOMIC CONTRIBUTION OF TRAVEL & TOURISM

HAINAN	2005	2006	2007	2008	2009	2010	2011E	2012F
Rmb bn, nominal prices)								
1 Non-resident visitor expenditure including fares	14.4	16.5	19.6	21.8	23.8	29.0	33.9	154.6
2 Hainan resident expenditure	4.3	4.4	6.8	8.7	8.1	9.2	10.6	37.7
3 Internal tourism consumption (= 1 + 2 + government individual spending)	18.9	21.1	26.6	30.7	32.1	38.5	44.8	193.8
4 Purchases by tourism providers, including imported goods and purchases from Mainland China (supply chain)	-11.3	-12.6	-15.9	-18.3	-19.2	-22.6	-25.8	-98.6
5 Direct contribution of Travel & Tourism to GDP (= 3 + 4)	7.6	8.4	10.7	12.4	12.9	15.9	19.0	95.2
Other final impacts (indirect & induced)								
6 Hainan supply chain	7.9	8.8	11.0	12.8	13.6	16.2	18.5	76.7
7 Capital investment	10.0	12.4	22.2	35.8	40.4	59.7	76.3	263.8
8 Government collective spending	0.4	0.5	0.7	0.9	1.1	1.3	1.6	7.1
9 Imported and Mainland China goods from indirect spending	-9.5	-11.7	-19.6	-28.9	-31.7	-45.2	-50.9	-145.6
10 Induced	5.5	6.5	6.8	7.4	8.5	10.9	13.0	58.7
11 Total contribution of Travel & Tourism to GDP (= 5 + 6 + 7 + 8 + 9 + 10)	21.8	24.8	31.7	40.4	44.8	58.9	77.5	355.9
Employment impacts ('000)								
12 Direct contribution of Travel & Tourism to employment	327.2	319.9	386.7	358.0	372.0	398.2	437.8	983.2
13 Total contribution of Travel & Tourism to employment	827.5	824.0	984.1	954.7	1,037.2	1,167.1	1,267.8	2,594.4
Other indicators								
14 Expenditure on outbound travel	0.7	0.8	1.2	1.6	1.5	1.7	2.0	10.2

Note: Concepts shown in this table align with the standard table totals as described in the 2008 *Tourism Satellite Account: Recommended Methodological Framework* (TSA: RMF 2008) developed by the United Nations Statistical Division (UNSD), the Statistical Office of the European Communities (EUROSTAT), the Organisation for Economic Co-operation and Development (OECD) and the World Tourism Organization (UNWTO).

Historical data for concepts has been benchmarked to match reported TSA data where available.

BREAKDOWN OF THE ECONOMIC CONTRIBUTION OF TRAVEL & TOURISM

HAINAN GROWTH¹ (%)	2005	2006	2007	2008	2009	2010	2011E	2012F ²
Rmb bn, nominal prices)								
1 Non-resident visitor expenditure including fares	13.3	10.1	18.2	2.8	11.7	14.2	12.0	12.6
2 Hainan resident expenditure	1.8	-1.9	53.6	17.7	-5.2	6.7	9.9	9.9
3 Internal tourism consumption (= 1 + 2 + government individual spending)	10.5	7.4	25.9	6.8	6.6	12.3	11.5	12.0
4 Purchases by tourism providers, including imported goods and purchases from Mainland China (supply chain)	10.9	8.3	27.4	9.7	7.3	10.5	10.9	11.5
5 Direct contribution of Travel & Tourism to GDP (= 3 + 4)	10.3	7.3	26.6	7.2	6.2	15.4	14.5	13.6
Other final impacts (indirect & induced)								
6 Hainan supply chain	10.7	7.5	24.8	7.6	8.9	11.1	9.8	11.5
7 Capital investment	1.2	17.9	74.5	44.2	13.8	38.5	22.5	9.5
8 Government collective spending	11.8	9.6	56.8	21.5	14.0	14.2	12.0	12.6
9 Imported and Mainland China goods from indirect spending	4.6	16.8	62.4	30.2	9.6	32.8	6.2	7.1
10 Induced	16.1	13.0	3.9	1.1	17.8	20.3	13.5	12.5
11 Total contribution of Travel & Tourism to GDP (= 5 + 6 + 7 + 8 + 9 + 10)	10.0	9.5	27.5	17.6	13.4	23.0	26.1	12.7
Employment impacts ('000)								
12 Direct contribution of Travel & Tourism to employment	4.8	-2.2	20.9	-7.4	3.9	7.1	10.0	8.4
13 Total contribution of Travel & Tourism to employment	4.3	-0.4	19.4	-3.0	8.6	12.5	8.6	7.4
Other indicators								
14 Expenditure on outbound travel	4.0	0.2	56.7	20.0	-3.3	8.8	14.4	13.6

¹2005-2011 real annual growth adjusted for inflation (%); ²2011-2021 annualised real growth adjusted for inflation (%)

THE ECONOMIC CONTRIBUTION OF NON-TRAVEL & TOURISM INDUSTRIES

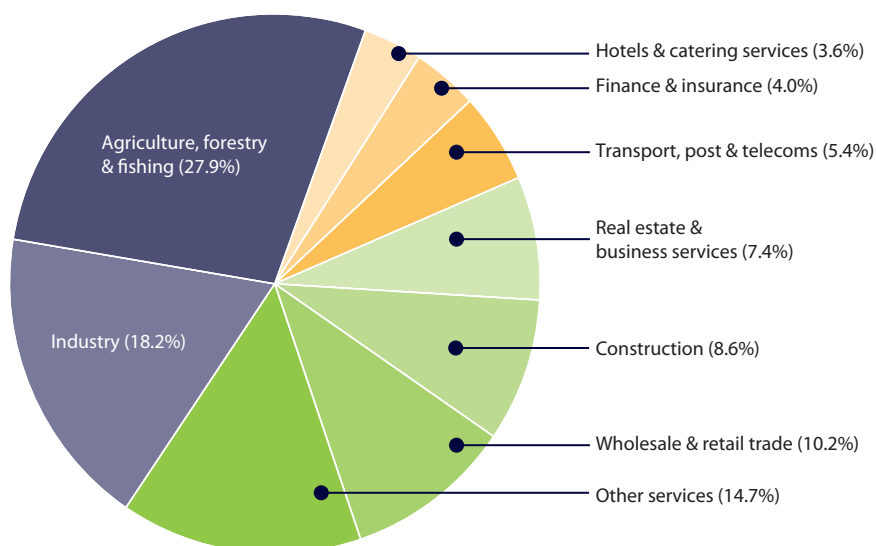
In order to fully appreciate the relevance of Travel & Tourism to Hainan Province, as well as to better understand the impressive growth forecasts, it is important to look more closely at the non-Travel & Tourism sectors.

The small, largely island, economies around the world in which Travel & Tourism's total GDP contribution is already higher than Hainan's forecast contribution are much less diversified than Hainan, in terms of their economies, exporting little else of significance beyond Travel & Tourism.

The latest official economic data for Hainan clearly illustrates its current economic diversity and the importance of non-Travel & Tourism sectors:

- **GDP:** Agriculture and manufacturing account for 45% of total provincial GDP. According to Hainan's input-output tables, much of the output of these sectors is consumed by households, exported or used in the supply chain of non-Travel & Tourism sectors – in other words, little of the output of agriculture and manufacturing can currently be attributed to Travel & Tourism.

The contribution of different sectors to Hainan's GDP, 2009

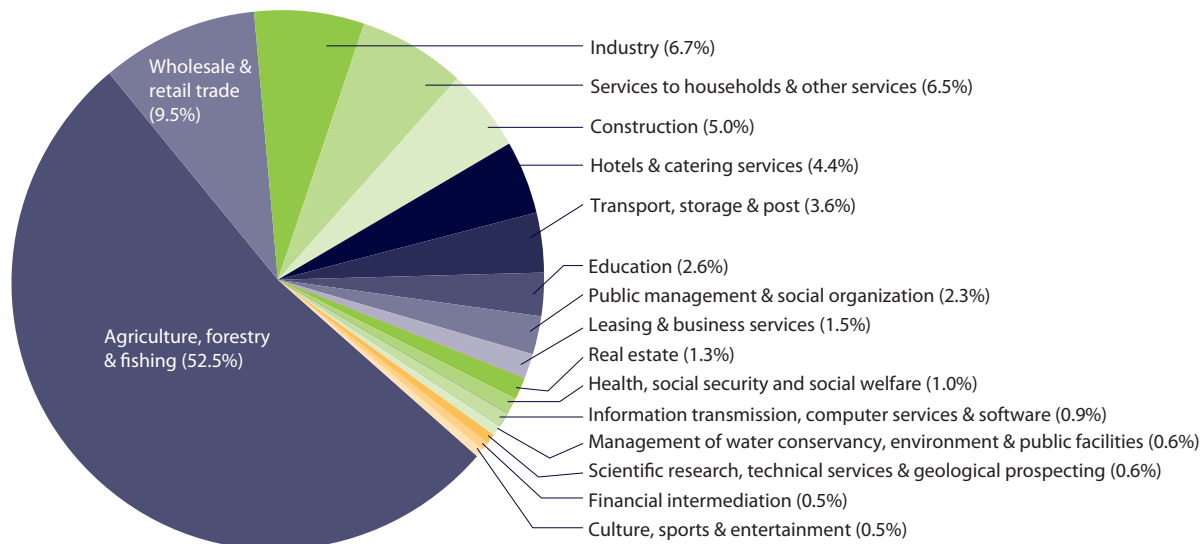


Note: Nominal prices

Sources: Statistical Yearbook, CEIC - China Premium Database; Hainan Provincial Government

- **Employment:** Agriculture's contribution to total employment in Hainan is even higher, at over 50%. Wholesale and retail's share is around 10%, with a high share of consumer spending being attributable to the incomes of people not employed in the Travel & Tourism sectors. As an example, hotel & catering services employment accounted for only 4.4% of total employment in 2009.

The contribution of different sectors to employment in Hainan, 2009



Sources: CEIC; Hainan Provincial Government

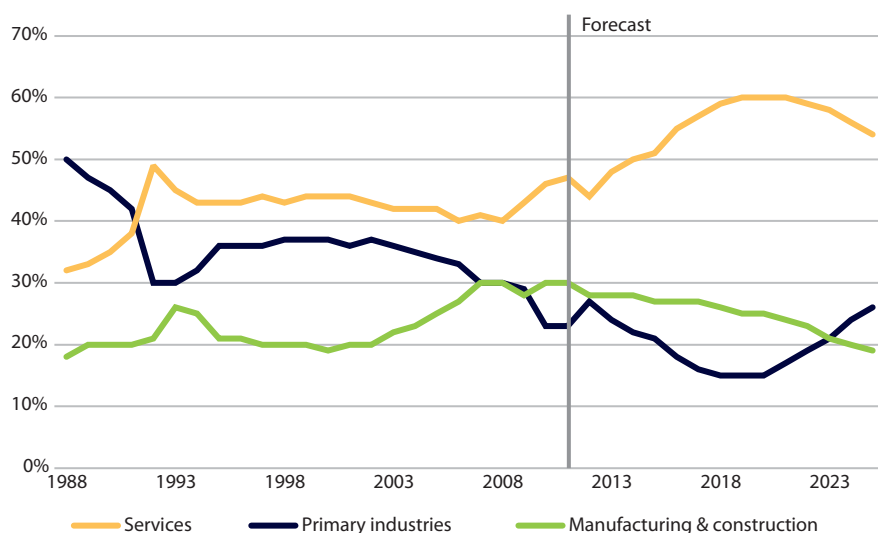
- **Investment:** A significant proportion of investment in Hainan's economy, in recent years, has been in manufacturing, agriculture and rail transport. One notable example is the high-speed rail link between Haikou and Sanya, which was primarily intended to serve residents as opposed to visitors.
- **Outflow of goods:** While visitor expenditure from Mainland China and foreign visitors has become the most important source of earnings from the outflow of goods and services, sales of merchandise goods outside Hainan still represent a significant source of demand for the economy – for example, in food & beverages (eg sugar), mineral products, textiles and mechanical & electrical equipment.

The Changing Structure of Hainan's Economy

The rapid growth in Travel & Tourism demand, which is forecast for Hainan over the ten-year period 2011 to 2021, will be driven primarily – and almost entirely – by the huge growth in investment as a result of the Chinese Government's decision to turn the province into a leading international island resort. As a result, the structure of Hainan's economy will undergo significant transformation over the current decade – changes that have been fully factored into Oxford Economics' forecasts. Among these:

- **Sector contributions to GDP:** The main change is an increase in the contribution of the service sector from just over 40% to 60% by 2020, driven by the different sectors of the Travel & Tourism industry – hotels, transport, visitor attractions, etc. While the contributions/shares of agriculture and industry are forecast to fall, these two broad sectors are still actually forecast to grow robustly, and demand for their goods will remain high from the Travel & Tourism sector, households, other industries and markets outside Hainan.
- **Expenditure contributions to GDP:** The contribution of investment to provincial GDP is forecast to remain high and stable, while the contribution from consumer spending is projected to increase as incomes increase and demand shifts slowly from external to domestic demand. The share of the inflow of goods and services from outside is forecast to rise given the high levels of investment and growth in consumer spending, which require certain goods and services not produced in Hainan.
- **Supply-chain linkages:** The assumptions built into the forecast implicitly assume a change in the supply chain of where goods and services are purchased. In other words the supply chain linkages from the latest Hainan input-output tables are not held constant over the forecast period. Instead, it is assumed that an increasing proportion of Travel & Tourism supply-chain demand will be met locally as opposed to purchasing from outside (which otherwise limits the size of the indirect supply chain Travel & Tourism contribution).

Different sectors' contributions to Hainan's GDP



Sources: CEIC; Hainan Provincial Government; Oxford Economics

This should be a key objective of Hainan's economic strategy – that is, to more closely integrate industries on the island with demand from the Travel & Tourism sector. However, even with the structural transformation of the economy towards the services sector, and Travel & Tourism in particular, and increased supply-chain linkages between the rest of the economy and Travel & Tourism, there is still forecast to be parts of the economy not related to Travel & Tourism, whose goods and services the economy and the island's residents will still demand, some of which would be too expensive to purchase and ship in from outside.

Non-Travel & Tourism segments of the economy, which will make up 48.5% of GDP in 2021, will include:

- Part of the agriculture sector not producing for the Travel & Tourism sector, but rather for direct household consumption by Hainan residents (who are not employed directly or indirectly in Travel & Tourism) and for sales outside Hainan;
- Part of the construction sector not active in Travel & Tourism investment or maintenance, eg residential construction for Hainan residents or public infrastructure projects not related to Travel & Tourism;
- Part of the manufacturing sector not producing for the Travel & Tourism sector, but instead for intermediate consumption by other industries and for sales outside Hainan;
- Part of the wholesale & retail and catering sectors not dependent on consumer spending of the population employed directly or indirectly in Travel & Tourism, or on visitor spending;
- Part of the transport sector whose services are not typically used by visitors or people directly or indirectly employed in Travel & Tourism;
- Large parts of the public administration, education and health sectors, which are unrelated to Travel & Tourism or consumer spending of the population employed directly or indirectly in Travel & Tourism, or visitor spending; and
- Other services unrelated to Travel & Tourism or consumer spending of the population employed directly or indirectly in Travel & Tourism, or visitor spending, eg services to households, some financial services, and certain personal services such as hairdressing.

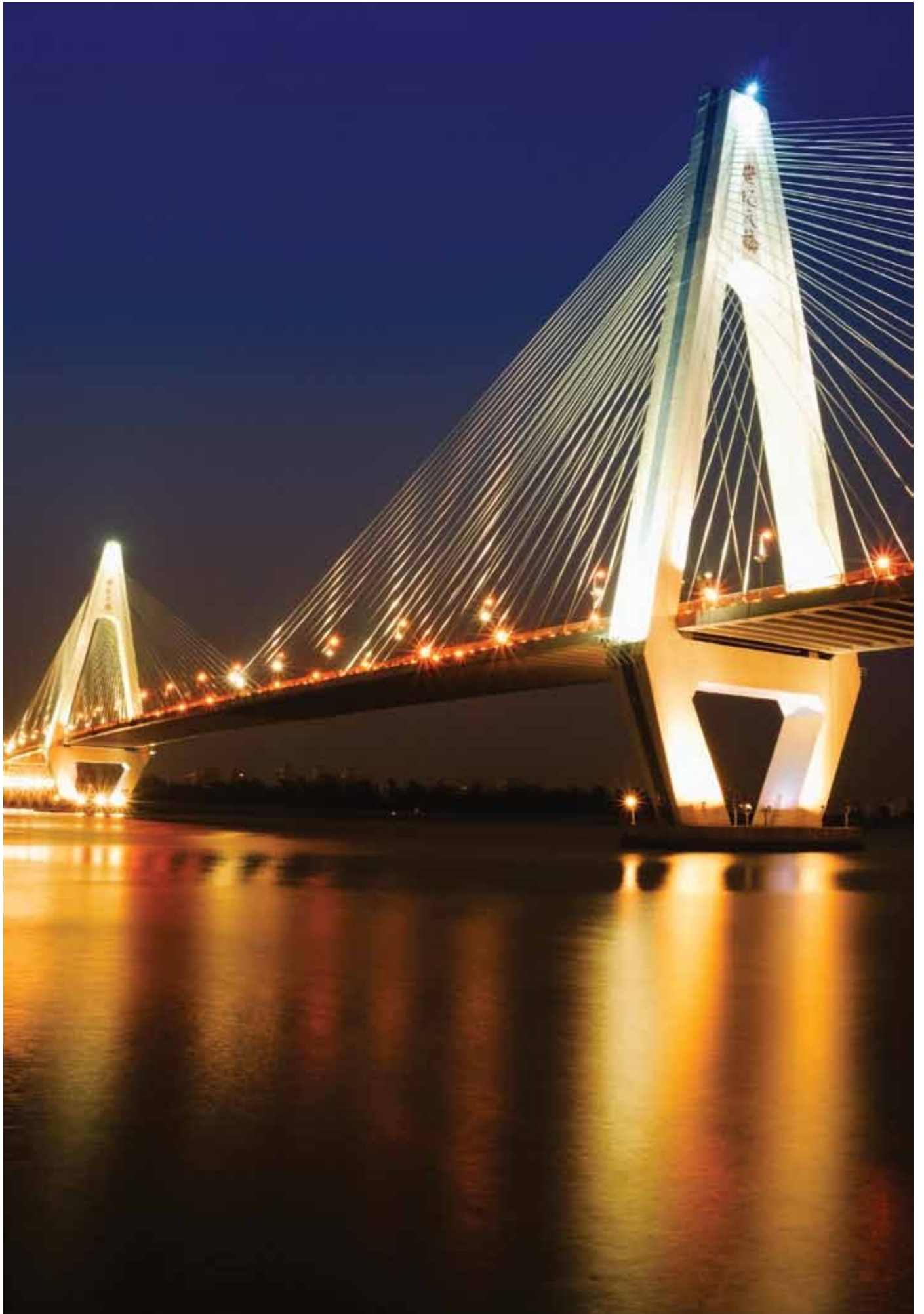
KEY PROJECTS FOR 12TH FIVE-YEAR PLAN IN HAINAN PROVINCE

	Project name	Location	Investments (Rmb mn)			Start date	Completion date
			Total	Spent by 2010	In 5-year plan		
Tourism attractions			55,000	5,500	31,000		
1	Wenchang Space Base	Wenchang	12,000	500	6,700	2010	2020
2	Lingshui Sea Theme Park	Lingshui	3,000		3,000	2011	2015
3	Sanya Zhitian Huihai Cultural Tourism Area	Sanya	6,150	250	3,000	2012	2018
4	Sanya Nanshan International Tourism Area	Sanya	4,050	2,868	1,182	1995	2015
5	Wuzizhou tropical island	Sanya	2,500	200	1,000	2009	2020
6	Sanya Betal Nut River Cultural Zone	Sanya	1,890	100	1,790	2010	2015
7	Yalong Bay Rainforest Tourism Attraction	Sanya	1,900	451	1,449	2007	2015
8	Baoting Yaluoda Rainforest Cultural Tourism Project	Baoting	3,900	360	2,500	2006	2015
9	Wuzhishan Lidong Cultral Park	Wuzhishan	736	60	676	2010	2014
10	Wuzhishan Ecotourism Development Project	Wuzhishan	1,553	30	1,523	2010	2014
11	Dingan Nanli Lake National Wetland Park	Dingan	570	50	520	2011	2015
12	Nanshan Custom Tourism Town	Sanya	350	60	290	2010	2013
13	Dingan Culture Expo Park and Tourism Town	Dingan	4,100	400	2,000	2011	2020
14	Dingan Longmen Vacation Town	Dingan	5,000		1,500	2011	2020
15	Chengmai European Cultural Town	Chengmai	2,000	150	1,850	2010	2015
16	Chaotanwan European Cultural Town	Wenchang	1,600		1,200	2012	2018
17	Bawangling National Forest Park	Changjiang	1,992		500	2012	2020
18	Jianfengling Naitonal Forest Park	Ledong	1,987		500	2012	2020
Tourist Vacation Resorts			222,000	33,000	88,500		
19	Haitang Bay National Beach	Sanya	18,759	4,686	14,764	2008	2016
20	Yalong Bay Project (Phase 2)	Sanya	11,500		8,000	2010	2018
21	Lingshui Clearwater Bay	Lingshui	22,866	8,670	14,197	2007	2017
22	Wanning, Shenzhou Peninsula Project	Wanning	10,000	5,300	3,000	2006	2017
23	Ledong Longmu Bay Project	Ledong	12,000	364	4,000	2009	2020
24	Changjiang Qizi Bay Projects	Lvjian	10,000		3,000	2009	2020
25	Wenchang Tongguling Eco-tourism Project	Wenchang	12,000	900	3,900	2008	2020
26	Wanning Shimei Bay Project	Wanning	8,000	2,600	3,000	2005	2015
27	Wanning Dakangle Tourism Development Project	Wanning	973	343	630	2008	2012
28	Sanya Sun Bay Tourism Project	Sanya	3,900	1,900	2,000	2006	2012
29	Sanya Hongtang Bay Tourism Project	Sanya	7,000		3,000	2012	2020
30	Lingshui Xiangshui Bay Project	Lingshui	9,307	3,906	3,000	2005	2020
31	Lingshui Tufu Bay Project	Lingshui	4,828	1,459	2,000	2005	2020
32	Sanya West Island Vacation Project	Sanya	15,000		3,000	2012	2020
33	Wanning Taiji Earth Village	Wanning	4,200	600	2,000	2011	2015
34	Wanning Wuchang-Baoding Bay Project	Wanning	8,500	650	2,000	2012	2020
35	Wanning Riyue Bay Project	Wanning	26,450		4,000	2011	2020
36	Haikou Mangrove East Bank National Vacation Zone	Haikou	5,000		1,000	2012	2020
37	Haikou Long Bay International Tourism Vacation Zone	Haikou	15,000	1,500	4,000	2009	2020
38	Dongpo Water Culture Wellbeing Vacation Zone	Danzhou	1,800		700	2012	2020
39	Hainan No.1 Wellbeing Vacation Village Project	Ledong	800		800	2012	2014
40	Dongfang Daguang Ba-Jiulong Lake Project	Dongfang	8,000		3,000	2012	2020
41	Tunchang Muse Lake Attraction	Tunchang	3,665	80	2,000	2010	2017
42	Tunchang Jialetan Vacation Zone	Tunchang	2,068		1,500	2012	2017

	Project name	Location	Investments (Rmb mn)			Start date	Completion date
			Total	Spent by 2010	In 5-year plan		
Cultural Tourism Projects			68,000		43,000		
43	Experimental Hainan International Tourism Destination Area	Qionghai			10,000	2011	2020
44	Mediterranean Town Project	Qionghai or Wanning			5,000	2013	2018
45	Changying Hainan Century Film Studio Theme Park	Haikou	33,540		8,000	2012	2017
46	Sanya Olympics Bay Project	Sanya	10,000		6,000	2010	2018
47	Hainan International Creative Centre	Haikou	1,000		1,000	2011	2015
48	International Boxing Competition & Healing Base	Haikou	8,000		2,000	2012	2020
49	Haitang Bay Dream World Entertainment Night Town	Sanya	6,000		4,000	2013	2018
50	Songcheng Tianya Performance Night Town	Sanya	5,500		3,000	2011	2017
51	National South Sea Museum	Lingshui or Wanning	1,000		1,000	2012	2015
52	Provincial Museum (Phase 2)	Haikou	350		350	2011	2013
53	Baoting National Flying Saucer Shooting Base	Dingan	1,030		1,030	2011	2013
54	LNG SKI World Project	Yangpu	400		400	2013	2015
55	Hainan Camping Projects	Various cities, counties	1,000		500	2011	2020
56	Hainan Red Tourism Development Project	Baisha	500		500	2012	2015
Tourist Shopping Centres			14,500	50	14,500		
57	World Top Brands Outlet	Wanning	4,500		4,500	2011	2015
58	Sanya International Duty Free Town	Sanya	5,000		5,000	2011	2015
59	Yalong Bay International Brands Outlet	Sanya	3,100		3,100	2011	2015
60	Mingzhu Plaza International Shopping Centre (Phase 3)	Haikou	750	50	700	2011	2013
61	Sanya Summer Department Stores	Sanya, Haikou, Danzhou, Qionghai, etc	1,200		1,200	2010	2015
Tourism Infrastructure Projects			13,000	2,000	10,500		
62	Sanya Haitang Bay Infrastructure construction	Sanya	11,322	1,606	9,716	2007	2015
63	Qizi Bay Infrastructure Construction	Changjiang	1,070		500	2011	2020
64	Infrastructure Construction for Xisha Islands	Xisha Islands	270		200	2012	2016

Notes to projects:

- Includes Space Centre and theme park. Target: 1 mn visitors per year; capacity for 150,000 visitors to watch each launching.
- Includes performance hall, tropical underwater sea world, water park, ocean cinema and other attractions. 21 hectare site.
- Thousand Hands' Guanxim buddhism theme hotel. Target: Rmb 4.5bn annual revenues, Rmb 1.6bn tax revenues, 1,200 employees.
- Cluster of projects related to Buddhism.
- Projects related to Li minority culture and rural tourism wellbeing.
- Target: 1 mn tourists a year, generating Rmb 100mn to Rmb 1.7bn revenues, Rmb 6.4mn in taxes and 800 jobs.
- Target: 3 mn tourists a year, generating Rmb 1.0bn revenues, Rmb 100mn taxes and 4,000 jobs.
- Li style shopping and orchid centre, generating Rmb 0.7bn revenues, Rmb 30mn taxes and 2,000 jobs.
- Rainforest hotel and tourism centre, with walking and climbing paths. Target 100,000 tourists a year, generating Rmb 2.3bn revenues, Rmb 200mn taxes and 1,000 jobs.
- The only national wetland park in Hainan and a key project for Hainan's eco tourism.
- Li minority culture town. Target: Rmb 65mn annual revenues, Rmb 10mn taxes, 200 employees.
- Target: 3,000 employees.
- Well-being destination based on volcanic cold spring, including Longmen cultural and agricultural attractions, hotels and retirement apartments.
- Ten European 'towns', including Spanish Lupe, French Annecy and Austrian Altstadt 'towns'.
- Northern European cultural town and windmill theme experience.
- Tourism town and visitor centre with rainforest roads, walks, cinema and interactive museum.
- Tianchi and Yuechi Resort Hotels, with rainforest roads, walks, trestle road and visitor centre.
- Seven 5-star hotels, and commercial and residential projects.
- Target: Rmb 3.0bn annual revenues, Rmb 1.2 bn taxes, 3,000-5,000 employees.
- High-star hotels and shopping centre.
- Target: Rmb 1.75bn annual revenues, generating Rmb 0.5bn taxes and 2,500 jobs.
- Target: Rmb 48mn annual revenues, generating Rmb 10mn taxes and 570 jobs.
- Target: Rmb 450mn annual revenues, generating Rmb 48mn taxes and 3,000 jobs.
- Ten 5-star hotels and seven vacation villa zones, generating Rmb 4.5bn annual revenues, Rmb 0.9bn taxes and 400 jobs.
- Target: Rmb 1.26bn annual revenues, generating Rmb 620mn taxes and 2,000-3,000 jobs.
- Target: Rmb 220mn annual revenues, Rmb 85mn profits.
- Target: Rmb 3.0bn annual revenues, generating Rmb 300-500mn taxes and 12,000 jobs.
- Includes water sports, cycling, rainforest paths, monkey cavern, Li and Miao cultural centres and conference centre.
- Duty free shopping centre, live sports lottery, movie & animation industry base.
- 1st Phase: more than ten projects, including space station, ancient Chinese town, volcano dream theatre, volcano hotel, cinema-themed shopping street and film studios.
2nd Phase: five projects, including North America Film Studio Area, Africa Film Studio Area, and volcano crater hot spring park.
- Target: Rmb 1.0bn annual revenues, generating Rmb 300mn taxes and 5,000 jobs.
- Headquarters and centre for international creative and design companies; industrial parks for tourism & hotel related products,
- Boxing competition stadium and international sports conference centre.
- Large ocean-themed performance centre, children's magic park, small discos.
- Includes underwater conservation area.
- Includes cultural heritage exhibition, gallery and history hall.
- Includes two ski slopes, skating rink, hotel/conference centre and shopping centre. Target: Rmb 350mn annual revenues, Rmb72mn taxes, 200 jobs.
- Ten camper-van sites in across Hainan.
- Target: Rmb 10bn annual revenues, Rmb 1.0bn rents, Rmb 1.0mn taxes, 10,000 jobs.
- 204,000 m2 project includes shopping centre, 5-star hotel and apartments.
- 150,000 m2 shopping centre.
- Refurbishment of existing chain and construction of new stores.



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Hainan Provincial Tourism Development Commission
Hainan Provincial Department of Finance
Department of Commerce of Hainan Province
Department of Housing and Construction of Hainan Province
Department of Land and Resources of Hainan Province
Hainan Provincial Department of Human Resources and Social Security
Transportation Department of Hainan Province
National Bureau of Statistics Hainan Survey Office
Statistical Bureau of Hainan Province
Haitang Bay Management Committee
Haikou Municipal Tourism Development Commission
Sanya Municipal Tourism Development Commission
Qionghai Municipal Tourism Development Commission
Wanning Municipal Tourism Development Commission
Wenchang Municipal Tourism Development Commission
Wuzhishan Municipal Tourism Development Commission
Boao International Tourism Forum
Beijing Tourism Group
HNA Group
Mission Hills Group
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