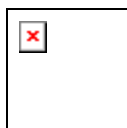


ST. HELIER WATERFRONT: CONFERENCE HOTEL - RESCINDMENT (P.112/99): REPORT

**Presented to the States on 12th October 1999
by the Tourism Committee**



STATES OF JERSEY

STATES GREFFE

REPORT

Background

Discussion on the benefits of an International Conference Hotel being developed in Jersey commenced over 12 years ago.

The need for such an hotel was formally identified in Jersey Tourism's 1990 Business Plan.

On the 10th November 1992 the States approved the Waterfront development plan which included an hotel as a major feature. In 1993/94 Jersey Tourism commissioned tourism consultants Peter Rand Group to report on the need for a conference hotel, the report concluded that a 4/5 Star hotel should be developed in an accessible position and be managed by an Internationally acknowledged company.

In 1996 BDO, an internationally recognised firm of consultants in the hotel and hospitality industries, were brought in, following concerns expressed by some industry leaders, to undertake an independent market study. They subsequently produced a second sensitivity report. This report stated that:

- a) the hotel will add significantly to the conference market sector;
- b) if the international conference hotel is developed there is likely to be only a modest adverse impact on the existing hotel operators;
- c) there will be adequate room in the market for the existing operators and the Waterfront hotel.

Having identified the need for an hotel and the site being approved, the Waterfront Enterprise Board set about the task of finding suitable developers and an operator. After extensive publicity thirteen companies expressed interest (including two local) with Crown Plaza emerging as the preferred operator.

BDO Report October 1999

In September 1999 the Tourism Committee commissioned BDO to re-assess the impact of the development of the Waterfront Hotel as currently proposed (212 rooms, including 15 serviced apartments). The main findings of this updated report are as follows -

- while demand in the leisure sector has fallen in recent years, demand for accommodation from business visitors has increased by 9.5% over the past 2 years, and a further 2% for the first 6 months of 1999. Current States policies and the development of new businesses on the Island such as e-commerce will help generate further demand from the corporate market;
- conference delegate demand continues to grow as an important generator of accommodation demand, particularly outside of the main summer months. The development of the Waterfront hotel will generate increased demand for the island as a whole by raising the profile and appeal of Jersey as a conference and incentive destination, as well as generating spin off demand for the benefit of other hotels;
- the hotel will have more penetration into the corporate and conference markets, rather than competing with existing hotels for leisure visitors. The branded operation will be able to create short break leisure related demand through specific and general marketing activities undertaken by the hotel operator;
- reflecting consumer demand, there has been a shift in accommodation provision towards the quality end of the accommodation sector. Moreover, buoyant room occupancy levels and achieved room rates have been sustained in those hotels identified as of primary competitive relevance, whilst overall hotel demand has shown a decline. Accommodation demand in the hotel market of relevance is forecast to increase in the order of 2 to 3 per cent per annum;
- a 212 room hotel, as put forward by the developers, is considered to be viable without being of a sufficient size to undermine other competing hotels. Changes in market conditions that affect the market growth projections, or any increase in the number of proposed rooms, would adversely impact further upon the direct competitors. Conversely, if market conditions improve the impact upon competing hotels would be reduced;
- although there will inevitably be an impact on the profitability of some current hotels, most noticeably in the first few years of operation, BDO concludes that fears expressed that the new hotel, as currently planned, will threaten the survival of existing hotels are unfounded. It is estimated that fair share occupancy will have recovered to within 2 percentage points of 1998 levels by the fifth year of operation;

- the site represents a prime location for the development of a first class, international hotel facility. The proposed Waterfront hotel, under the current envisaged scheme, will introduce a first-class, modern, purpose built, international brand hotel in Jersey and will deliver a step change for the Island to make Jersey internationally competitive. The management and marketing expertise that it will bring with it will create a high profile for the hotel specifically, and Jersey in general;
- the hotel will not only have direct appeal to the corporate and residential conference markets, and certain leisure visitors, but will also, indirectly through acting as a catalyst and positive competitive influence, increase the incentive for Jersey's other hotels to improve their product and service offerings;
- if the development did not proceed, the long term impact on Jersey's tourism industry would be negative, rather than neutral;
- BDO also identifies within the report that there are major issues currently facing hoteliers, such as staffing and training difficulties, and suggests measures that need to be addressed by the industry and the States together.

The Tourism Committee believes that the case for a new hotel is clearly made for the following reasons:

- to demonstrate confidence, vision and commitment in the Jersey tourism industry (£40 million of private investment);
- to compensate for beds lost over the last few years, and having regard to potential ongoing losses;
- there has been no new hotel development for 30 years and the Waterfront represents arguably the only site on which such a hotel facility can be developed in St. Helier;
- to provide a product matching the demands of International leisure and corporate visitors;
- to increase the number of beds in the top grades of hotels to achieve Jersey Tourism's strategic objectives;
- to provide an additional high quality conference venue;
- to have an internationally known brand associated with the Island;
- to have a quality hotel on the Waterfront adding to the ambience and facilities of the area (complementing the proposed restaurants/bars, etc.).

The hotel developers, Bilfinger & Berger have been working closely with WEB, Planning & Environment and Jersey Tourism since concern was expressed at the size and design of the hotel initially proposed and it is confidently expected that a suitable proposal can now be submitted.

In addition to the commercial arguments there is a strong public desire to see this important waterfront area developed as soon as possible to improve the visual appearance of Jersey's gateway and to improve the social amenities of St. Helier

Conclusion

The Tourism Committee remains firmly of the opinion that the development of a 4/5 Sun hotel with conference facilities, located on the Waterfront site, is essential to the long term welfare of the tourism industry and the island's business community generally and, subject to the size and design being agreed, the development should take place at the earliest opportunity.