

**SPEECH BY MR S ISWARAN, MINISTER FOR TRADE AND INDUSTRY  
(INDUSTRY), AT THE LAUNCH EVENT OF  
HOTEL INDUSTRY TRANSFORMATION MAP ON MONDAY, 21 NOVEMBER  
2016, 11.35AM AT GRAND HYATT SINGAPORE**

Mr Albert Teo, President, Singapore Hotel Association

Mr Tan Hock Soon,  
General Secretary, Food, Drinks and Allied Workers Union

Singapore Hotel Association Board Members

Distinguished Guests

Ladies and Gentlemen

1. I am happy to join you today for the launch of the Hotel Industry Transformation Map.

**Importance of the hotel industry**

2. The hotel industry comprises about 400 establishments, employing about 1% of our workforce and contributing close to 1% of our GDP.

3. Over the past decade, the hotel industry has been a key pillar of Singapore's tourism growth. Historically, the hotel industry has contributed more than 20% of our total tourism expenditure. From 2005 to 2015, total room revenue grew 2.6 times from \$1.2 billion to \$3.2 billion, while Hotel Revenue per Available Room (RevPar) has nearly doubled.

**Transforming the hotel industry for sustainable growth**

4. Looking ahead, the outlook for the industry continues to be positive. The World Tourism Organisation has forecasted that global international visitor arrivals will grow at 3.3% per year between 2010 and 2030. Within Asia Pacific, the growth is expected to be even higher at 4.9% per year<sup>1</sup>. This demand for travel will be fuelled in good part by the growth of the Asia Pacific middle class.

5. In recent quarters, we have also seen a pickup in our tourism numbers. Singapore received 8.2 million visitors in the first half of 2016, an increase of 13% compared to the same period in 2015. This was driven by strong growth from our key source markets; China, Indonesia and India. In the same period, tourism receipts grew 12% to reach \$11.6 billion. Our data also shows that we are welcoming more visitors from major cities, who have a higher propensity to spend.

6. Against this backdrop, the Singapore hotel industry can continue to be a growth sector that offers good career opportunities for Singaporeans. However, achieving the same growth as in the past will be increasingly difficult unless we

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<sup>1</sup> UNWTO 2016 Tourism Highlights

transform the hotel industry. We cannot continue the same model as in the past. Customer expectations are rising and have become more sophisticated, and we need innovative service modalities to better engage guests. On the manpower front, our aging workforce and the changing aspirations of jobseekers necessitate the adoption of productive and manpower lean business models to sustain growth.

7. To seize the growth opportunities and manage the challenges, we need a strategy that can coordinate the efforts of government and industry stakeholders. So, I am pleased to announce the launch of the Hotel Industry Transformation Map, which has been developed, and will be implemented, in partnership with the Singapore Hotel Association (SHA), Food, Drinks and Allied Workers Union (FDAWU), and the Hotel Sectoral Tripartite Committee.

8. The Hotel Industry Transformation Map aims to accelerate business transformation and forge a competitive industry supported by a future-ready workforce. The ITM strategies, which build on what we are already doing, are clustered around four key areas:

- a. Building manpower-lean business models through productivity;
- b. Developing new solutions through innovation;
- c. Growing businesses through internationalisation; and
- d. Nurturing a strong pipeline of talent, while deepening skills in our workforce.

### **Build manpower-lean business models through productivity**

9. Let me elaborate first on our productivity strategies. We are aware that many of our hotels face a manpower crunch today. With more hotel rooms coming on-stream, the only sustainable way to address our manpower shortage is to raise our productivity levels systematically through infrastructure and process redesign.

10. In a survey by SHA in 2015, more than 30 hotels highlighted that their existing building structures have constrained them in adopting productive technologies and redesigning processes. On the other hand, our newer hotels have been able to optimise their physical layout from Day 1. So, STB launched a new time-limited retrofitting grant in April this year for older hotels to redesign their existing premises and implement productivity-enhancing solutions.

11. I want to urge all our hoteliers to tap on this retrofitting grant, because it can make a significant difference to the productivity of your operations. I was very pleased to learn that Shangri-La Hotel Singapore is already working with STB on a project to retrofit the hotel's kitchen and Horizon Club Lounge, which are currently located at opposite ends of the building. The kitchen and its storage areas will be consolidated and located next to the lounge to minimise staff movement. The hotel expects to enjoy man-hour savings of up to 45% in the service and culinary functions through the introduction of self-service options and the redesign of back of house processes.

12. To redesign processes, it is also important to build up capabilities in lean operation and measurements. As part of the Hotel ITM's strategies, Workforce Singapore (WSG) and STB, in collaboration with McKinsey & Company, have

developed a Lean Hotel Initiative. This 4-month programme will guide hotels in identifying and implementing productivity initiatives through a 'field-and-forum' approach comprising classroom training in lean operations complemented with on-the-job coaching by McKinsey consultants. The programme is scheduled to kick off with 16 hotels in the first quarter of next year. This really is an effort to get the theory of process redesign, bringing it to reality and working with hotel management teams and the staff.

### **Develop new solutions through innovation**

13. It is also important that the hotel industry future-proofs itself, which brings me to the next strategy – how we can develop new solutions through innovation to improve guest experience and business processes.

14. One example is the use of RFID technology. STB, A\*STAR's Singapore Institute of Manufacturing Technology (SIMTech) have partnered laundromats to deploy RFID technology. Workers no longer need to spend time manually counting and keeping paper records for linen, uniforms and even decorative items in hotel rooms. This has also reduced human error. RFID technology has been deployed in over 10 hotels, with average man-hour savings of about 60%. To scale up the adoption of RFID technology in hotels, STB and SPRING Singapore will work with laundromats to standardise RFID chip specifications.

15. I am also heartened to see that the hotel industry has taken the initiative to develop new and innovative solutions through the Hotel Innovation Committee (HIC). Led by SHA and set up by the industry for the industry, the HIC was formed in February this year to develop future-oriented solutions and implement industry-wide initiatives which might not have been possible if done by individual hotels and properties alone. The HIC will share later about the projects they are leading, and I encourage all of you to participate in these projects as we develop innovative solutions together.

### **Grow businesses through internationalisation**

16. Another strategy of the Hotel ITM is to help hotels internationalise into regional and global markets. Asia Pacific holds significant potential for growth, accounting for 24% of worldwide tourist arrivals and 33% of tourism receipts<sup>2</sup>. STB and IE Singapore will work closely with local hoteliers to help them enter new markets and raise awareness of our hotel brands. In fact, as we develop lean business models locally, that knowhow and ability can itself become a source of competitive advantage overseas.

17. Two companies that have worked with IE Singapore to expand overseas are Ascott and Amara. Ascott Limited is the world's largest serviced residence owner-operator with over 29,000 serviced residence units. It plans to double this number to 80,000 by 2020. Ascott is partnering IE Singapore to enter and scale in key markets such as China, Korea and London. They are also identifying and test-bedding technologies that can take Ascott's service offerings to the next level.

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<sup>2</sup> UNWTO 2016 Tourism Highlights

18. Amara Holdings Limited first ventured overseas when it opened a hotel in Bangkok last year. Amara is now planning to launch another 343-room hotel in Shanghai. To support their expanding international operations, Amara worked with IE Singapore to establish a division to oversee its overseas training and development plans. This has helped Amara build a pipeline of talent for global roles, and in turn create more career opportunities for Singaporeans.

19. I want to emphasise that the government stands ready to support our hoteliers in their overseas expansions. That expansion can be given even greater impetus if we work collectively – we have found this to be the case for example in Food Manufacturing and various other sectors, the Singapore brand collectively has a strong value proposition in many of the markets. I encourage you to reach out to IE Singapore and STB to make use of their support schemes such as IE Singapore's Market Readiness Assistance (MRA) and Global Company Partnership (GCP) programmes.

20. As hotels internationalise, there will also be opportunities to bring along other businesses in adjacent industries. I want to urge our hoteliers to reach out to their partners in the retail, food services and food manufacturing industries. By banding together when venturing abroad, our companies can combine their resources, complement each other's product offerings and brands and pursue larger projects.

### **Build a strong pipeline of talent and deep skill our workforce**

21. Our initiatives in productivity, innovation and internationalisation are all geared towards helping our companies grow and stay competitive, which in turn will help create good jobs for Singaporeans. Conversely, we also need to nurture a strong pipeline of talent, and deep skills in our workforce, to support the transformation of our hotel industry.

22. The hotel industry offers good career opportunities, including good jobs for PMETs and mid-career hires. Our Hotel ITM strategies and initiatives will create 200 new PMET jobs annually until 2020. We are also redesigning rank and file jobs for better wage and career progression. Some hotels have gone a step further by introducing robots to take on manual work and to ease the rank and file manpower shortages. This has allowed hotel employees to spend time on higher value, higher touch work such as guest interaction and room inspection. One example is the Park Avenue Rochester Hotel, which partnered STB to introduce two robots to perform housekeeping and bellboy functions. These are still in the early stage, but they are part of the larger effort to achieve that kind of manpower upgrade that we see.

23. However, not many locals are aware of the good career possibilities in the hotel industry. There is a need to further galvanise interest in hotel careers. STB, IE Singapore and WSG will partner the Sectoral Tripartite committee and SHA on a Hotel Career Campaign to raise awareness about good jobs and careers in the hotel industry. The campaign is expected to begin in the first quarter of next year.

24. The hotel industry also needs to play its part by adopting progressive HR practices. About 20% of staff in housekeeping functions are above 55 years in age,

with many retiring in the next few years. At the same time, the demand for rank and file workers will continue to grow with the growth of our hotel industry. Besides embracing technology to reduce our reliance on manpower, we need to accelerate job redesign to make our hotel jobs more appealing to younger generation of workers and allow them to develop different skillsets. One example is Shangri-La Hotels and Resorts, which has taken steps to transform and rebrand its Traders brand to Hotel Jen. As part of this rebranding, jobs were redesigned such that traditional roles like receptionists, bell hops and telephone operators were streamlined to allow employees to perform a variety of job tasks.

25. There are many good rank and file jobs in the hotel industry with promising career progression prospects. In fact, rank and file hotel employees on average enjoy one of the highest wages in the lifestyle cluster. STB and WSG will partner SHA to support more hotels in adopting progressive HR practices and redesigning jobs to build a pipeline of future talent.

26. It is also important that we have a skilled workforce that is able to meet the hotel industry's future needs. This is why there is a focus on acquiring skills in data analytics, Customer Relationship Management (CRM) and revenue management. In September this year, SkillsFuture Singapore (SSG), WSG and STB launched the Skills Framework for Hotel and Accommodation Services. It was the first Skills Framework launched under the SkillsFuture initiative, and intended to provide workers, employers, training providers and professional institutions with a common reference point for emerging skills and competencies required by the hotel industry. It can be used to help hoteliers assess skill gaps and identify training programmes for employees. The recently launched SkillsFuture Study Awards for the tourism sector can be used by hotel employees to upgrade their skills.

27. All these initiatives will help to deepen the skills of our workforce to support the hotel industry's transformation. Coupled with our productivity efforts, they will also enable hotels to continue paying good wages and retain a strong Singaporean core.

## **Conclusion**

28. The Hotel Industry Transformation Map is an ambitious but achievable roadmap. All four strategies that I have outlined will require strong partnerships, and the collective will and effort of all our stakeholders – industry, associations, unions, workers and our government agencies – to succeed. Together, we can ensure that our hotel industry stays competitive and achieves sustainable growth. The prospects are good because of the growth in the market, especially the Asia Pacific region, the capability that we have within the hotel industry in Singapore, and the plan to go forward working on innovation, productivity and internationalisation.

29. The launch of the Hotel ITM today also rounds off the industry ITMs that are grouped under the lifestyle cluster, which includes the Food Services, Food Manufacturing and Retail industries. We have plans for 23 such ITMs, accounting for about 80% of our GDP, and the Lifestyle cluster is one of the early movers and we have completed this cycle. A team led by Senior Minister of State Sim Ann and Managing Director of Select Group Mr Vincent Tan will look at identifying and

maximising synergies among the four industries in this cluster. It will also validate strategies for skills development, technology adoption and innovation within each industry.

30. I look forward to working closely with all of you for the successful implementation of the Hotel ITM and I hope today's event yields valuable insights that you can all apply to the transformation of your respective hotels and organisations. Thank you.