Hilton Worldwide And Hotel Developers (Lanka) Sign New Management Agreement For Hilton Colombo



Hilton Worldwide (Hilton), together with Hotel Developers (Lanka) (HDL), announced the signing of a new management agreement for the Hilton Colombo in Sri Lanka. The agreement reiterates that Hilton will continue to operate and manage the Hilton Colombo.

Chairman of HDL Thirukumar Nadesan indicated that he was extremely pleased to have the agreement in place after a prolonged discussion and expressed great satisfaction that the new agreement would immensely benefit HDL in terms of savings in fees paid to Hilton and other tangible benefits such as reduced operating terms with options for renewal by mutual consent. The total fees paid as Management Fees and Group Services and Benefits in terms of the previous agreement was approximately 33 percent of Gross Operating Profit (GOP) and in terms of the new agreement the total fees would be 11.75 percent of GOP. The new

terms were effective from June 14, 2012.The savings on the total fees payable to Hilton based on the current year's (2012) forecast Revenue and Gross Operating Profits will be approximately 122 million rupees. On an annualised basis the savings for a year will be much more than 250 million rupees. The operating term of the new agreement ends on December 31, 2019 with extension by mutual agreement, more flexible than the provisions in the previous agreement which Hilton claims extends up to 2037. In terms of the previous agreement, Hilton unilaterally extended the term of the contract by ten years after the initial period of 20 years ended in December 2007 and the company sought arbitration on the matter stating that Hilton cannot extend the contract on the same terms and conditions. With the signing of the new agreement Hilton has agreed to refund the monies paid by Hotel Developers for arbitration amounting to 40,000 US dollars.

"This agreement firmly establishes our joint commitment to support and drive the growth of the tourism industry in Sri Lanka. Backed by Hilton Worldwide's expertise in global hospitality, we are confident that the country will continue to attract a growing number of both domestic and international visitors," said Thirukumar Nadesan.

"We are extremely pleased to have reached an arrangement mutually beneficial to HDL, as the owners of the most sought after five star property in Sri Lanka and Hilton Worldwide, the most prestigious Hotel Chain, to continue managing the Hilton Colombo," said Martin Rinck, President, Asia Pacific, Hilton Worldwide. "Hilton Worldwide has been operating in Sri Lanka since 1987 and enjoys an excellent working relationship with HDL and the local community. We remain totally committed to the market and firmly believe in the country's outstanding potential as a tourist destination and business hub."

HDL, a Public Limited Liability Company, was established in March 1983 and with the enactment of the 'Revival of Underperforming Enterprises or Underutilised Assets Act, No 43 of 2011', the entire Shareholding of HDL was vested with the Secretary to the Treasury. HDL firmly believes that the new vistas opened up with the signing of the agreement with Hilton would pave the way to build up a very cordial relationship between the two parties.

The new agreement reached between the two parties refraining Hilton from operating another Hilton hotel under their brand name within 15km radius of Hilton Colombo is indeed advantageous and it excludes Hilton Colombo Residencies. The Hilton Colombo has not carried out any major refurbishment since commencing

operations in 1987 and Hilton Colombo will be undergoing major renovations from early 2013, which will see improvements across the property including rooms, food and beverage outlets and meeting spaces.

