

HONG KONG RETAIL MANAGEMENT ASSOCIATION

Submission on the Fourth Round of Anti-epidemic Fund

14 December 2020

I. Background

1. Due to the deteriorating 4th wave of pandemic, the Government has tightened social distancing measures with effect from 10 December, 2020. The Association would like to reflect that these measures have placed retailers' survival at stake immediately, alongside restaurants, gyms, beauty and massage parlours and sports premises which are subject to the new government order.
2. To restore economic normalcy and prevent the retail industry from collapsing, we urge the Government to implement a holistic plan to curb the pandemic, to earmark retail as target industry for assistance in its fourth round of Anti-epidemic Fund, and to adopt a proactive and heavy-handed approach to oversee rental matters.

II. Adopt a Holistic Plan to Curb the Pandemic

3. The pandemic has been persistent in Hong Kong, and its 4th wave is even more widespread in the community with many cases of unknown sources. We are very much concerned if it is not curbed soonest, many industries including retail will collapse, resulting in mass unemployment, economic instability, and loss of long-term competitiveness of Hong Kong.
4. The Government should adopt a holistic plan in fighting the pandemic and be decisive in enforcing related measures, while it should also ensure that these controls are necessary, effective and without loopholes.
5. It is equally important for the Government to bring in COVID-19 vaccines swiftly from different sources, and to make information on the vaccines transparent to the

public to avoid misunderstanding and undue speculation. A timely vaccination programme is most critical for border re-opening and business recovery.

III. Call for Government's Proactive & Heavy-handed Approach on Rental Matters

6. Currently, many retail rental leases were committed before the social unrest in 2019 with given optimistic projections on tourist figures and foot traffic. Despite that the social unrest and the pandemic have greatly dampened retail sales, the rental level has not been reduced correspondingly. A lot of retailers are still paying at least twice or at even higher multiples than the prevailing market rent.
7. Worse still, most of the commercial landlords had tightened their relief measures since April and even cut their support after May 2020, as it was revealed by the Association's regular member survey. They remain lukewarm and unsympathetic even though the Government made several implorations on rental concessions over the past few months.
8. Rent remains as the most critical lifeline to secure retailers' survival. We understand the Government is very much concerned that any regulatory move upon the landlords may go against the principle of free market economy of Hong Kong. Nonetheless, the global pandemic situation is far more difficult for a free market can cope as it is in normal days. The Government is required to act on all fronts to fight against austerity.
9. As such, the Association would like to urge the Government to adopt a proactive and heavy-handed approach on rental matters, including but not limited to the following suggested measures:
 - a) The Government should compel the commercial landlords to charge turnover rent for leases committed by tenants of the suffering retail categories prior to the social unrest or the pandemic until the pandemic stabilises.
 - b) The Government should consider adopting the Emergency Regulations Ordinance to mandate the commercial landlords to offer rental concessions in accordance with market needs.

10. We would like to present the above suggestions as some guiding principles for the Government's consideration. We would be most pleased to have further discussion on these suggestions and to advise on details regarding execution if required.

IV. Earmark Retail as Target Industry for Government's Assistance

Devastating Retail Sales Situation

11. We understand from several occasions that the Government intends not to give out subsidies to industries across-the-board in the fourth round of the Anti-epidemic Fund.

However, we would like to reiterate the real fact that a great majority of retailers, big and small, are facing tremendous survival issues right now.

12. Overall, the retail industry has been suffering for over 17 months since the social unrest. For the first ten months of 2020, the total retail sales value (RSV) registered a drop of 27% when compared to the same period of 2019; and a much greater decline of 34% when compared to 2018, which was a normal year for retail business.
13. The 4th wave of the pandemic is regrettably attacking the retail industry at its most peak selling periods of Christmas and Chinese New Year, which usually are the months retailers get their income to sustain the rest of the year.
14. Given the severity of the 4th wave, most retailers are extremely pessimistic about the sales prospects for the coming festive months. And it is apparent that if no timely assistance from the Government, a lot of retailers will go bankrupt very fast and there will be a drastic surge on unemployment in the next 2 months.

Extending Focused Subsidies

15. The Association earnestly requests the Government to earmark retail as a target industry in the fourth round of Anti-epidemic Fund. However, it should not follow the broad-brushed approach of the previous Retail Sector Subsidy Scheme (RSSS)

and Employment Support Scheme (ESS), but instead, the relief measures should be highly focused to address the specific needs of the most suffering retail categories.

16. Basing on our analysis of the Government's data on the retail sales value by type of retail outlet for the period January-October 2020 (Appendix refers), we suggest that retail categories which registered business decline at 20% or more during the period should be eligible for the Government's relief measures.
17. The rationale behind this 20% threshold is that the social unrest in the second half of 2019 had already pushed the RSV base to a low level; and a 20% RSV drop would be approximately equal to about a 40%+ drop in 2018's figures when the market was normal. Likewise, a nominal 40%+ drop in RSV in 2020 would represent actually about a 60%+ decline, which is totally unsustainable for any retail business.

V. Final Remarks

18. The Association is open to discuss with the Government regarding the above-mentioned suggestions.

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