

**Hong Kong Retail Management Association
Submission on
2021-22 Budget Consultation**

29 December 2020

Introduction

1. The Hong Kong Retail Management Association (the Association) has presented a submission on 2020 Policy Address to Mrs. Carrie Lam, the Chief Executive, on 15 September, 2020, outlining a comprehensive approach to bring normalcy to the economy and a set of immediate to longer-term measures to tackle the survival issues of the retail industry. (*Appendix 1 refers*)
2. On 14 December, 2020, the Association has submitted recommendations to Mr. Matthew Cheung, the Chief Secretary, and Mr. Paul Chan, the Financial Secretary, respectively on how the Government may save the retail industry from collapsing amid the prolonged negative repercussions of the pandemic by appropriate measures in the fourth round of Anti-epidemic Fund. (*Appendix 2 refers*)
3. The Association is disappointed that the Government has not included retail as a target industry in its fourth round of Anti-epidemic Fund. Nevertheless, we maintain that the retail industry is in desperate need of special attention and assistance from the Government in a bid to protect SME enterprises and safeguard substantial employment.
4. For the Government's 2021-2022 Budget, we think that the recommendations made in the two aforesaid submissions stay relevant and practical. And we would like to take this opportunity to reinstate 3 key areas requiring the Government's focused fiscal and policy support, namely a holistic plan on pandemic control, expanding retail business via cross-border e-tailing and Greater Bay Area development, as well as measures to sustain industry survival in the time ahead.

I. Enforcing Holistic & Effective Pandemic Control Measures

Implement Holistic Plan with Determination

5. While the 4th wave seeing no signs of subsiding, it is of paramount importance for the Government to enforce determinedly a holistic control plan on the pandemic with swift and forceful measures that can rectify current loopholes and contain the further spread of the virus in the community.

Introduce Vaccination Earliest

6. The Government should step up all-faceted efforts to curb the pandemic since our key international counterparts are obviously ahead of us in many aspects in this global crisis. We know the first batch of vaccines will be delivered to Hong Kong in Q1 2021 with initial target for high risk groups. However, we urge the Government to act fast and introduce large-scale vaccination for the whole of Hong Kong community earliest possible. We do not think the Government's original intent to complete the mass vaccination programme in phases till end 2021 would be an acceptable timeline given the current critical situation.

Re-open Hong Kong's Border Safely

7. With effective containment of the pandemic, Hong Kong should re-open its borders speedily in order to inject the much-needed impetus for economic recovery by bringing back international travel and business activities to normal.

Spend Strategically on Vaccines & Control Measures

8. While there is an urgent need to fight the pandemic on all fronts, the Government should spend on vaccines and related anti-epidemic measures in a strategic manner and make all its efforts transparent and well communicated to the public.

II. Expanding Cross-border Retail Business Opportunities & Tapping the Market Potentials of Greater Bay Area (GBA) Development

Near-term Measure (1) -- Organize Online Shopping Festival to Generate Retail Business

9. Hong Kong's total retail sales value (RSV) plummeted continuously for more than 17 months. For the first ten months of 2020, the RSV dropped by 27% and

34% respectively compared to corresponding period in 2019 and 2018; while the retail outlook remains highly pessimistic.

10. In the nearer term, sales prospects of the peak festive seasons including Xmas and the Chinese New Year are virtually devastated by tightened pandemic control under the 4th wave. Without ongoing new business, many retailers will go bankrupt and there will be massive shop closures and layoffs in the soon coming months.
11. Against this backdrop, we urge the Government to allocate funding resources to orchestrate a large-scale online shopping festival earliest possible to enable retailers of different categories to capture new business opportunities arising from cross-border online trade at minimal cost.
12. We suggest the Government to mandate the Hong Kong Trade Development Council (HKTDC) to take the lead in the organization of the online festival, and to provide immediate assistance to retailers, including:
 - a) to oversee the entire organization of the online shopping festival and to solicit cooperating entities.
 - b) to recruit as many Hong Kong retailers as possible, no matter they are selling “Hong Kong manufactured brands”, OEM/ODM products, private labels, or representing overseas brands.
 - c) to take reference of international events such as the “2019 Taiwan-Malaysia Joint Online Shopping Festival 臺馬聯合網購節” organized for the first time by entities in Taiwan and Malaysia in September 2019. (Source: Chinese Non-Store Retailers Association 中華民國無店面零售商業同業公會 <https://www.cnra.org.tw/index.php>; 2020 臺馬聯合網購節即日起線上開跑)

Near-term Measure (2) -- Facilitate Retailers to Expand Overseas Business via HKTDC's Online Design Gallery

13. The HKTDC should help SME retailers to tap business opportunities in China and the ASEAN countries via the “ConsignEasy” under its design gallery online/offline stores, and to provide due support in handling operational issues such as import declaration, logistics and settlement of payment.

Near-term Measure (3) – Launch Virtual Tourism with Shopping Platforms

14. Given the very dim prospect on the soon return of international visitors, we urge the Government to earmark additional funding resources to the Hong Kong Tourism Board (HKTB) to organize virtual tourism with innovative shopping elements and appeals.

15. When normalcy is gradually in place, the HKTB should organize city-wide campaign to stimulate consumption and adopt measures like issuing consumption coupon to boost spending sentiment.

Mid-to-long-term Measure (1) – Assist Hong Kong Retailers to Capture Opportunities of the Mainland’s “Domestic Circulation” Policy

16. The Government should orchestrate business platforms and policy support to assist Hong Kong retailers to capitalize on the business opportunities brought by the Mainland’s top priority of “Domestic Circulation” initiative. The Government may consider setting up a high-level task force to formulate a strategic plan to spearhead initiatives enabling retailers to gain strong online and offline foothold in the Mainland under the “Domestic Circulation” economic environment.
17. The Government should devise an overall policy framework on GBA development in which priority incentives and assistance schemes such as subsidies and tax concessions should be given to retailers to facilitate their market penetration and build branding in the GBA market.
18. To seize the fast evolving opportunities in the GBA development, we suggest the Government to take lead to establish a dedicated working group with leading retail trade associations to devise fast track policy for Hong Kong retailers’ early market entry.
19. Hong Kong is reputable for its advanced education infrastructure. We suggest the Government to assign funding to support a specialized degree programme in retail management in Hong Kong’s prominent universities so as to foster Hong Kong as a retail management education hub in the GBA region.
20. The HKTDC should target retail as a priority industry in its new initiative of the one-stop “GoGBA” platform and provide multi-faceted support for retailers to expand to the GBA market.

Mid-to-long-term Measure (2) – Prioritize Retail in HKTDC’s Overall Promotion Plan

21. In longer term, we urge that the HKTDC should earmark retailing, which has long been viewed as domestic trade as a priority industry in its local and international promotion.
22. In this regard, the HKTDC should undertake the followings:
 - a) to devise a holistic approach to assist Hong Kong retailers to expand their markets, both local and overseas, via online and offline channels.
 - b) to engage industry trade associations to formulate promotion strategy and devise business promotion programme.

- c) to enable retailers to efficiently employ HKTDC's international customer database for business expansion.

III. Adopting Proactive & Heavy-handed Approach on Rental Matters

Near-term Measure - Implementing Proactive & Heavy-handed Control Measures

- 23. Being bound by leases signed before the social and economic austerity, many retailers are still paying a much higher level of rent than the market rate now, while most of the landlords have also withdrawn their rental concessions after May 2020.
- 24. To save retailers from deep waters, we urge that the Government should adopt the following immediate measures:
 - a) to replace the current laissez-faire policy with a proactive and heavy-handed approach on all rental matters, as the pandemic has totally distorted the free market mechanism.
 - b) to compel the commercial landlords to charge turnover rent for retail leases of the suffering retail categories committed before the social unrest or the COVID-19 outbreak until the pandemic subsides.
 - c) to consider adopting the Emergency Regulations Ordinance to require the commercial landlords to offer rental concessions according to market needs during the pandemic.

Mid-to-long-term Measure -- Rectifying Distorted Retail Rental Market

- 25. To benchmark practices of developed economies, the Government should set up some form of regulation on commercial rental and related fees such as management fee, promotion fee, and air-conditioning charges in the medium to longer term.
- 26. The Government should consider aligning the commercial renting rules with those governing sales of residential premises by adopting net lettable area concept in retail leasing contract.

IV. Implementing Measures to Sustain Retailers' Survival

Near-term Measure – Alleviating High Operating Cost

27. To reduce retailers' heavy financial burden amid dampened sales, we urge that the Government should maintain or even strengthen relief measures undertaken in the past months such as waiving of water & sewage charges, rate concessions and alike, and also consider subsidizing retailers' MPF contribution.
28. The two electricity companies should not be allowed to raise their tariff in 2021, and they should provide retailers with further assistance to reduce energy expense.

Mid-to-long-term Measure – Re-injecting the Government's Supporting Funding to Speed up Retail Transformation

29. In 2021, we understand that the Government will cease its funding of HK\$130 million originally allocated in its 2014-15 Budget to support retail manpower development, including HK\$70 million for the Earn & Learn Pilot Scheme, and HK\$50 million for the Retail Technology Adoption Assistance Scheme.
30. We think that the Government should not put an end to the earmarked funding, instead it should re-allocate the funding to help speed up Hong Kong's retail transformation underscored by technology adoption and nurturing of a new generation of talent equipped with innovative knowledge and skills.

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