

Hong Kong Retail Management Association

Government Budget 2020-2021

**Recommendations on Easing the Coronavirus Impact on
Retail Industry**

20 February 2020

I. Introduction

1. Hong Kong's retail industry has been suffering from unprecedented devastation caused by the prolonged social unrest since June 2019. The outbreak of the novel coronavirus in late January 2020 and its uncertain prospects of being put under control poses another great blow to the already dwindling industry.
2. As our industry relies heavily on inbound tourism and local consumption, it is foreseeable that the combined effect of the double-hit will speed up business closures and layoffs among various sizes of retailers in the upcoming months.
3. We would like to take this opportunity to put forward additional recommendations to the Government's 2020-21 Budget on top of our submission of 8 January, 2020 for a set of targeted measures to assist the retail industry in this mega crisis.

II. Retail Catastrophe

4. Due to the social unrest, the retail industry registered a record drop of over 20 percent in the total retail sales for the second half of 2019, with a great majority of retail categories recorded historical decline in business.
5. The Association conducted a survey among members to assess the initial impact of the coronavirus woes for the first 10 days of the festive Chinese Lunar New Year (24 January to 2 February 2020 inclusive). Most of the retail categories registered an average of 30 to 50 percent sales drop, with the most severe decline at around -90%, and indicated an extremely pessimistic business outlook in the coming months.
6. Against this backdrop, the Association forecasts that the total retail sales value for the first half of 2020 would decrease by mid double-digit, ranging from -30%

to -50%, with certain sectors suffering from an even higher percentage decrease.

7. The retail industry has grown exponentially since SARS, now with a total of 63,000 retail establishments employing 270,000 persons (about 10% of the total workforce). It also supports a sophisticated business ecosystem including wholesale, logistics, advertising and more, which altogether accounts for about 1 million employment in Hong Kong.
8. In view of the alarming magnitude of the negative ripple effect of the current crisis on the retail industry, we urge the Government to escalate its assistance to the retail industry in areas as deliberated in the ensuing paragraphs, which will be covering retail business and its employees.

III. Government's Four Rounds of Relief Measures since August 2019

9. We welcome the Financial Secretary's four rounds of relief measures to address the economic crisis since August 2019 and the setup of \$30 billion fund by the Chief Executive to help local residents and businesses tide over the coronavirus situation. We deem these measures would help alleviate immediate financial burdens of most retailers and enterprises.
10. However, as some of these measures especially those would help reduce operating cost directly are still pending for LegCo's approval, the Government should speed up its implementation without further delay.
11. At the same time, the Government should consider to extend the validity of these measures, and for some to intensify its level of assistance so as to give a lifeline to retailers, big and small, who are facing acute shortage of cashflow and at the verge of collapsing.
12. Please refer to **Appendix** for a summary of the Association's recommendations on these Government measures.

IV. Request for Additional New Measures to Reduce Operating Cost & Stimulate Consumption

Cash Allowance for Expense on Mask & Protective Gears

13. We urge the Government to grant cash allowance to retailers as they are facing tremendous financial pressure to provide masks and related protective gears to their frontline staff due to the coronavirus, especially when the supply is highly limited and unstable with soaring cost.

Government subsidizing MPF Contributions

14. Taking reference of the government's subsidy to low income person on their MPF contribution as announced by the Chief Executive in January 2020, we suggest the Government to extend this coverage to all retailers and their employees for a duration of 6 to 12 months, or at least to allow suspension of contributions both by employers and employees until the retail business environment returns back to normal.

Consumption Coupon

15. We suggest the Government to launch consumption coupon to stimulate local consumption, and the mechanism of the initiative should be focused and clearly devised so that it will bring benefits to targeted business categories with the hardest hit as priority.

V. Implore Landlords for Rent Reduction

16. Hong Kong's retail space has always been recognized as the most expensive one in the world. In fact, the private retail rental index had increased tremendously by 116%, comparing the year 2003 and 2019.

17. While the high rent reflects the promising tourist figures in Hong Kong over the years, it also could easily drive retailers out of business when facing such unexpected and dramatic decrease in sales value due to the epidemic.

18. Since the outbreak of the social unrest in June last year, and the epidemic in late January 2020, the Association has been persistently urging the landlords to grant rental relief measures. However, it is disappointing that a majority of major landlords are very lukewarm in response and slow to implement timely relief measures.

19. On 13 February, 2020, the Association together with the Retail Alliance, which is spearheaded by Mr. Peter Shiu, LegCo Councilor of Wholesale and Retail Functional Constituency, and with the support of more than 100 trade associations, implored the major landlords on the following:

- a) To waive the rent for the month of February 2020; and
- b) To charge only the turnover rent from March to June 2020.

20. The Government may note that at the start of the Chinese Lunar New Year, major landlords in the Mainland have immediately waived or only charged half of the

rent and related fees of their retail tenants for a period of two weeks up to two months; while Macao's government has waived rental payment of its retail premises for 3 months.

21. With rent reduction as a lifeline to retailers, the Government should follow suit and assume a high-profile approach to influence the major landlords to take up their social responsibility to grant immediate rent concessions as stated in point (19).
22. Also, we suggest the Government to continue or step up its exemplary initiative in rental reduction for commercial units at all its premises including those applicable to retail and catering sector until the current ordeal is eased.

VI. Urge Banks/Payment Gateway Operators to Lower Credit Card Charges

23. Credit card charges is one of the key expenses of the retailers. We urge the Government to assist in imploring the banks and payment gateway operators including Octopus to lower their charges on credit card transaction fees, and likewise payments.

VII. Protect Livelihood and Employability of Affected Employees

24. Apart from rationalizing operating cost, many retailers and caterers have already implemented measures to reduce manpower cost including unpaid leave, reducing the business operation hours, closing stores, salary reductions and even layoffs.
25. We anticipate there will be an alarming number of employees both at frontline and backend positions who will be facing acute livelihood problem very soon. This situation will turn into a societal crisis if there are no immediate measures to safeguard the livelihood and confidence of those affected employees.

One-off Relief Fund for Employees

26. We suggest the Government to set up a one-off relief fund to assist those affected employees. On one hand, it will relieve their temporary financial ordeal while on the other hand, their jobs will be secured when the crisis is over.
27. We suggest this one-off relief fund should be independent of any existing Community Care Fund Assistance Programme, and that it must be easy to apply and be available immediately.

Vocational Upgrading

28. We suggest the Government to provide vocational training to the affected employees so as to elevate their knowledge and skills on retail technology and digitalization. This will help them stay competitive, employable and attuned to new retail practices.

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