



Hong Kong Retail Management Association

Submission on 2020 Policy Address Consultation

15 September 2020

I. Introduction

1. The retail industry has been suffering from the on-going social unrest for nine months since June 2019 when the COVID-19 outbreak posed another unprecedented blow in end January 2020 that has continued for more than eight months by now. This double-hit situation has tremendously jeopardized the survival of the industry and dampened its business prospect.
2. Since the pandemic outbreak, the Hong Kong Retail Management Association (the Association) has been maintaining close communications with the Government to reflect the industry's ordeal and has submitted views on the Anti-epidemic Fund and related measures.
3. The Association would like to take this opportunity to provide an update on the retail market outlook and to submit our suggestions to the Chief Executive for the Policy Address 2020.

II. Depressing Retail Market Prospect

4. Hong Kong's retail market has been seriously impacted by the social unrest since June 2019; the total Retail Sales Value (RSV) registered a slump of -20% for the second half of 2019.
5. For 2020, the latest RSV for July 2020 decreased by -23.1% to HK\$26.5 billion, marking a downward trend of 18 consecutive months since February 2019. For the first seven months in 2020, the RSV dropped by -32.1% against the same period in 2019.
6. Hong Kong retailers are facing very gloomy business prospect that hinges largely on a number of unpredictable factors.

7. In particular, the retail industry relies heavily on tourist spending with an estimation of about 30% of the RSV are from tourist receipts. However, the visitor arrivals slumped by 90% to only 3.5 million in the first half of 2020. And, the duration of travel related restrictions are highly uncertain and cannot be projected.
8. In light of a number of pessimistic parameters, the Association anticipates the prevailing retail recession will be further deepened in the year ahead, especially when the Government's Employment Support Scheme to be ended in November 2020 and other relief measures are to be further rationalized.

Immediate Measures – Overall Economy

III. Adapt to New Normal & Reopen Hong Kong's Border Safely

9. As the pandemic ebbs away, the recovery of the economy depends very much on whether the Government could identify the most suitable timing for the reopening of Hong Kong's border.
10. The Government should learn from mistakes and mishaps that took place overseas and benchmark successful and practical measures adopted by other countries. It should introduce and adapt actionable border procedures in line with public health evidence based risk assessment, so as to enhance the confidence of visitors.
11. Since resurgence of the pandemic is common around the world whenever restriction measures are lifted, the Government should focus on a gradual reopening of economic activities that do not pose high risks of spreading the virus, while communicating to the public that our lives are going to co-exist with the COVID-19 virus for some time ahead.

IV. Adopt Prudent Fiscal Measures to Sustain the Economy and Employment

12. The past two rounds of the Anti-epidemic Fund have increased the Government's 2020/21 budget deficit to nearly HK\$290 billion, while Hong Kong's fiscal reserves will drop sharply from more than HK\$1.1 trillion in March 2020 to around HK\$800 billion recently.
13. The Government should accurately gauge the unique business impact of the pandemic on individual sectors, and to employ focused and timely relief measures to help those who have been continuously hit hard since the pandemic outbreak, for example, the suffering categories of the retail industry.
14. The Government should benchmark similar measures from overseas governments. For example, the Singaporean Government has adopted a very focused relief strategy by extending employment subsidies to respective hit hard sectors according to a 3-tier support structure.
15. While the anti-epidemic measures are being progressively lifted, the Singaporean Government also launched a stimulus package in May, which focuses on creating jobs and

building skills for workers, boosting enterprises' transformation, and strengthening community resilience.

Immediate Measures – Retail Industry

V. Provide a Lifeline to Retailers by Alleviating Heightened Rental Pressure

16. There is a clear trend that the landlords have been cutting back their rental concessions even though the pandemic lingers on. The Government should implement rental-related measures, which are the most effective and direct way to help retailers survive at these difficult times.

Provide a 4-month Rent-free Period with Immediate Effect

17. The Government should take heed of the suggestions of the Retail and Wholesale Alliance led by Mr. Peter Shiu, Legislative Councillor (Wholesale & Retail), i.e. to subsidize two months' rental payment for tenants who suffered from business loss of 30% or above, and to require all commercial landlords to waive the same, making a total of 4-month rent-free period for all suffering retailers.

Impose Additional Undertakings upon Major Landlords Receiving the Government's Employment Support Scheme (ESS) and/or Other Subsidies

18. The Government should make it mandatory that all commercial landlords receiving wage subsidies in the second tranche of the ESS would be obligated to offer concessions to their tenants, including but not limited to rent reduction, cuts in rental deposit, waiving of management fee, promotion levy and/or air-conditioning charges.
19. Such additional undertakings should also be imposed upon the landlords if they apply for any other government subsidy schemes.

Impose Temporary Legislation on Retail Rent

20. To benchmark practices of overseas governments, the Association urges the Government to act upon following measures:
 - (a) To take immediate actions to refrain commercial landlords from taking legal actions or charging interest against their tenants who could not pay rent;
 - (b) To enforce the ruling that the landlords should charge turnover rent only without fixed rent;
 - (c) The duration of the above two measures should be for a period of at least 9 months.

VI. Implement Next Round of Relief Measures to Sustain Retailers' Survival

21. The retail sector employs over 250,000 people, due to the double-hit by social unrest and pandemic, its unemployment rate in May-July 2020 soared to 8.1% from 4.1% in the same period of 2019. The industry's operating environment has turned more austere than ever, and there is a high likelihood of massive shop closures and layoffs in the upcoming months.
22. The Association's survey conducted in April 2020 projects that around 15,200 retail stores, which account for almost a quarter of Hong Kong's total retail shops, might collapse by the end of this year.
23. The Government should launch next round of relief measures for the suffering categories of the retail sector without delay, including the extension of ESS and industry-specific financial subsidies. This may help retailers to stay in business and to have the opportunity to tap on the forthcoming sales potential during the Christmas and New Year holiday.
24. To alleviate heightened operating cost, the Government should subsidize retailers' MPF contributions, as well as their utility charges, including electricity, water and sewage, up to 75% with no limitation on ceiling in 2021.

VII. Facilitate Setup of New Business Platforms for Retailers

Solicit Support from Statutory Bodies

25. In the wake of exponential growth of e-tailing amid the pandemic and the rapid evolution of retail industry that goes virtually borderless, the Government should mandate the Hong Kong Trade Development Council (HKTDC) to earmark retailing, which has long been viewed as domestic trade and received undue attention, as a priority industry in its local and international promotion.
26. The HKTDC should step up trade promotion support to Hong Kong's retail industry including measures as follows:
 - (a) devising a holistic approach to assist Hong Kong retailers to expand their markets, both local and overseas, via online and offline channels;
 - (b) engaging industry trade associations to formulate promotion strategy and devise business promotion programme;
 - (c) organizing virtual shopping festival(s)/related exhibitions, either on its own or in joint effort with counterparts in other countries; and/or facilitate retailers to participate in cross-regions/countries events;
 - (d) enabling retailers to efficiently employ HKTDC's international customer database for business expansion.

27. With prevailing restrictions in travelling, the Government should launch virtual tourism and shopping platforms soonest through the channels of the Hong Kong Tourism Board (HKTB). With cooperation with related industries, these virtual activities would help maintain stickiness of international visitors and enable them to continue buying from Hong Kong retailers.

Support Industries' Online Initiatives

28. To prepare for a total recovery, it is vital to continuously boosting up local consumption atmosphere to attract overseas visitors. The HKTB should strengthen its support to likewise campaigns/projects. For instance, it can render additional support to the ShopShop@HK 去街買, a citywide cross-brand consumption campaign with application of e-stamps via a mobile app jointly launched by the Association and Quality Tourism Services Association (QTSA) in September 2020.

Develop Warehousing and Provide Support to Logistics Development

29. Hong Kong faces severe shortage of warehousing space that hinders e-tailing development. The Government should expedite feasibility of establishing warehousing zones in nearby Greater Bay Area (GBA) by providing co-location of boundary crossing facilities.
30. To alleviate high logistics cost in developing e-tailing, especially on the part of SMEs, the Government may take the lead to optimize the delivery service by rationalizing the charges of the HongKong Post, and to customize special and affordable package to SMEs.

Medium and Longer-term Measures – Retail Industry

VIII. Introduce a Legal Framework to Rectify Hong Kong's Distorted Retail Rental Market

31. The current crisis has highlighted the tremendous imbalance of power between landlords and retailers; the Government has the responsibility to rectify the distorted retail rental market and to ensure the sustaining development of the retail industry.
32. The Government should benchmark other developed economies to work on a legal framework that would provide commercial tenants with due and reasonable protection, especially during adversity and for the long term. This may involve some form of regulations on commercial rental and related fees charged by landlords, such as the management fee, promotion fee, and air-conditioning charges via the proposed regulatory framework.

IX. Rebuild Hong Kong's International Image

33. Hong Kong has been losing its attraction as an international retail hub since the social unrest started in June 2019. In addition, the lingering COVID-19 pandemic and the political instabilities generate a lot of negative impact on Hong Kong's image on all fronts.

34. The Government should orchestrate a comprehensive and forceful image promotion plan involving its marketing arms such as HKTB and HKTDC to relaunch Hong Kong's international image through various global arenas.
35. To attract overseas visitors, the Government may consider to giving out spending e-coupons to visitors as proposed by the Macau Government.

X. Orchestrate a Healthy Ecosystem to Speed Up Retail Transformation

36. The current crisis has highlighted the vulnerability of the retail industry as a major pillar of Hong Kong's economy. And it has regrettably revealed the fact that the Government has under-estimated the role of retail and its direct and indirect contributions for a long time.
37. There is an urgent need to rejuvenate the retail industry and to speed up its transformation to embrace the new era. In this regard, the Government should uplift policy support to the retail industry with multi-pronged strategies as elaborated in ensuing paragraphs.

Assign a Designated Bureau to Support the Retail Industry

38. The Government should designate a specific bureau with a distinct mandate to oversee the retail industry, or to set up an independent, cross-departmental unit to take up this task. Without a clear ownership within the Government Bureaux, the well-being and long term development of the retail industry has been neglected in the major policy directions.
39. Specifically, the Government should allocate due resources to rejuvenate the industry in digital transformation, to rebrand the industry image, and to strengthen its appeal to attract talent for sustainable development.

Speed Up Retail Transformation & Technology Adoption

40. The global retail landscape has been hugely disrupted by COVID-19. The Government should facilitate the speeding up of the industry's technology transformation underscored by a new retail ecosystem with smart technology adoption, digitalization, application of big data, O2O integration, and nurturing of new technology talent.
41. The Government's overarching plan on Smart City development should integrate retail elements such as Wi-Fi connection, common QR code for digital payment, electronic identity (eID) and other relevant technologies. Concurrently, it should step up public education to promote benefits of technology adoption so that people's inhibitions could be overcome for successful implementation.
42. To facilitate SME retailers in technology adoption, the Government should streamline the large number of funding schemes available right now, and introduce a one-stop funding solution for SME retailers with a user-friendly application process that can be swiftly approved by officials with IT background.

Nurture a New Generation of Retail Talent

43. The Government should have a visionary approach to project the manpower skills requirement in the coming decade, especially to take into the account of our development as a Smart City with advanced retailing modes. It should formulate a forward-looking master plan on the future demand of human capital, with retail as a priority industry.
44. At the same time, the Government should render focused training support to equip old and new retail practitioners with relevant knowledge and skill sets, and to allocate additional resources to promote retail as a professional discipline in the mainstream education curriculum by setting up a retail degree course at major universities.

Facilitate Retailers to Embrace Opportunities in Greater Bay Area

45. To rebuild the economy after crisis, the Greater Bay Area (GBA) presents tremendous business potential for Hong Kong retailers. The Government should set up a dedicated working group with leading retail trade associations to devise fast track policy or requirements which could facilitate entry and operation of retailers in the region.
46. The Government should also consider special arrangement on mobilizing retail talent across the GBA region, so as to build Hong Kong as a retail management education hub in the future.

Licensing of Retailers & Capturing Online Retail Trade Data

47. In order to capture retail-related data and to conduct relevant analysis for the future retail development, the Government should adopt a compulsory licensing system for all retailers, which should be monitored with a clear process and well-defined criteria.
48. To facilitate the licensing process, the Government may consider seeking assistance from credible retail-related associations for verifying the eligibility of applicants.
49. The global pandemic has further fueled the exponential growth of e-tailing. Currently, Hong Kong's sales value of e-tailing is grouped under the category of "Other consumer goods, not elsewhere classified" in the monthly sales statistics of the Census and Statistics Department (C&SD). To monitor this rapidly expanding source of sales, the C&SD should include a new and distinct category of e-tailing in all its related retail reports.

XI. Conclusion

50. Hong Kong is experiencing the greatest crisis ever in history and so for our industry right now. Despite heightened challenges, we urge the Government to adopt a much stronger, proactive, transparent and determined stance when devising the Policy Address for the year ahead and beyond, which is most crucial in affirming its leadership, regaining confidence of the people, and rebuilding its international image.
51. With the said stance, the Government's foremost mission is to re-unite the people of Hong Kong, and to restore people's daily living, economic and social activities to normality, as well as to re-energize the economy. Through an array of targeted and rational measures

which should be outcomes of heeding to concerns of the community and the hardest hit business sectors, we trust Hong Kong can resume its vibrancy and vitality, and even achieve a higher level of development.

52. The Association is committed to render our greatest support to the Government on policy and initiatives that would move Hong Kong and our industry forward at this most difficult time.

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