LCQ11: Supporting hotel industry

Following is a question by the Hon Yiu Pak-leung and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (January 26):

Question:

Due to the impacts of the riots and the coronavirus disease 2019 epidemic, the hotel industry has been hard hit as visitor arrivals to Hong Kong have plummeted and the overall hotel occupancy rate as well as room rate have dropped continuously in the past two years. Recently, in view of the spread of the Omicron mutant strain in the community, the Government announced that starting from January 8, the place-specific flight suspension mechanism would be implemented for eight countries. Some members of the industry participating in the Designated Quarantine Hotel (DQH) Scheme have pointed out that Hong Kong residents intending to return to Hong Kong and overseas visitors have cancelled their reservations at quarantine hotels, causing heavy losses to operators participating in the Scheme. In this connection, will the Government inform this Council:

(1) whether it will, in view of the impact of the epidemic, conduct a revaluation of the rateable values of hotel properties for the 2021-2022 financial year, refund all or a major portion of the rates paid for that year, and provide concession on the rates payable for hotel properties for the 2022-2023 financial year; if so, of the details; if not, the reasons for that;

(2) whether it will gain an understanding from the hotel industry of the difficulties it face amid the epidemic, such as the impact of anti-epidemic measures on "gatherings in hotels" (commonly known as staycation) and banqueting business, so as to formulate appropriate measures to support the hotel industry; and

(3) given that the some 40 hotels participating in the DQH Scheme have suffered losses due to the implementation of the place-specific flight suspension mechanism by the Government, whether the Government will provide them with appropriate compensation; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Financial Services and the Treasury Bureau and the Food and Health Bureau, our reply to the question raised by the Hon Yiu Pak-leung is as follows:

(1) The Commissioner of Rating and Valuation has duly prepared the 2021-22

Valuation List in accordance with the Rating Ordinance (Cap. 116). The rateable values of tenements in the 2021-22 Valuation List shall take effect from April 1, 2021, until a new valuation list comes into force.

The Government has provided rates concession for all four quarters of 2021-22 in the 2021-22 Budget, with the concession for non-domestic properties capped at $5,000 per tenement per quarter for the first two quarters, and capped at $2,000 for the remaining two quarters. This concession is also applicable to hotel properties.

Regarding the 2022-23 general revaluation of rateable value, the Rating and Valuation Department (RVD) is now assessing the rateable values of tenements in the valuation list based on the annual rental value of the property estimated with reference to changes in market rentals at the designated reference date (i.e. October 1, 2021). Factors affecting the rental levels of different properties can be reflected in the 2022-23 rateable values. The RVD will make available the new valuation list for public inspection upon completion of the revaluation. For changes in market rentals after the designated reference date, they would be considered in the next revaluation exercise.

Through the ongoing public consultation exercise for the 2022-23 Budget, we will gather and examine opinions from all sectors of the community. When assessing any proposals, the Government will take into consideration a range of factors, including the overall economic situation, the Government's fiscal position and the needs of the community, etc.

(2) The Government understands that the business of certain industries has been impacted by the tightening of social distancing measures, especially those premises that have been closed temporarily, and catering premises where dine-in service during dinnertime has been suspended. The Chief Executive has announced on January 14, 2022, that the fifth round of the Anti-epidemic Fund (AEF) would be rolled out to provide assistance to the industries directly affected by the tightened measures. Although hotels are not among the premises subject to temporary closure, premises within hotels that have to be closed temporarily (e.g. bars, pubs, etc.) and those catering premises where dine-in service during dinnertime has been suspended can benefit from the relevant measures.

In fact, the Government has rolled out various measures to help the hotel industry tackle the difficult business environment. Apart from providing each eligible hotel with a one-off subsidy of $300,000 or $400,000 and introducing the Employment Support Scheme to provide assistance to employers in paying wages of their employees under the second round of the AEF, the Government announced in August 2021 the extension of waivers or concessions of various government licence fees and charges till end-September 2022. Approval was also obtained from the Finance Committee of the Legislative Council in October 2021 for injection of an additional $35 billion to the Special 100 per cent Guarantee Product under the SME Financing Guarantee Scheme to extend the application period to end-June 2022. The hotel industry can also benefit from these measures.

In addition, the Hong Kong Tourism Board (HKTB) has been supporting local tourism through the "Holiday at Home" promotion platform and rolled out two rounds of "Staycation Delights" in April and September 2021 respectively to encourage locals to be a tourist in their own city. The two rounds of "Staycation Delights" had a total quota of 40 000 which translated into an injection of $20 million to the hotel industry, and were well received by the industry as well as the community.

As a result of the two rounds of "Staycation Delights" and other staycation activities and coupled with the designation of some hotels for quarantine purpose, the hotel room occupancy rate in the first eleven months of 2021 was 62 per cent, representing a year-on-year surge of 17 percentage points.

If the development of the epidemic situation permits, the Government will relax the social distancing measures in a gradual and orderly manner on the basis of "vaccine bubble". The HKTB will continue to maintain close communication with the hotel industry and consider rolling out a new round of "Staycation Delights" when the epidemic situation abates so as to provide continued support for the industry.

(3) According to the arrangement of the Designated Quarantine Hotel Scheme, the Government will provide subsidy to designated quarantine hotels (DQHs) with average occupancy rate lower than 50 per cent. Hotels concerned can apply for the subsidy after the end of the contractual period in accordance with the established mechanism. As at January 24, 2022, the average occupancy rate of DQHs under the sixth cycle of the Scheme (covering the period from December 1, 2021, to February 28, 2022) is about 65 per cent.