

# LCQ9: Support for hotel and guesthouse industry

Following is a question by the Hon Vincent Cheng and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (June 3):

Question:

Owing to the dual impacts of social incidents and the coronavirus disease 2019 epidemic, the number of visitor arrivals to Hong Kong has been falling continuously since the middle of last year. The number of overnight visitor arrivals dropped to 37 000 in March this year, registering a 98.5 per cent drop over that in the same period last year. Quite a number of hotels and guesthouses have reportedly suffered long spells of zero patronage from visitors in the past few months. To date, some 300 guesthouses have closed down and quite a number of guesthouses are on the verge of doing so. In this connection, will the Government inform this Council:

1. of the respective numbers of (i) hotels and (ii) guesthouses having suspended operation or closed down, and the respective resultant numbers of employees dismissed or made redundant, in each month since February this year;
2. whether, apart from providing licensed guesthouses with a one-off subsidy under the Licensed Guesthouses Subsidy Scheme, the Government will consider providing additional support (including cash subsidies) for the guesthouse industry; if so, of the details; if not, the reasons for that;
3. of the measures that the authorities plan to roll out after the epidemic has died down, so as to revitalise the tourism industry and save the hotel and guesthouse industry;
4. as some members of the hotel and guesthouse industry have pointed out that the measures referred to in (3) may have to be put in place for a considerable period of time before delivering results, and that the number of Mainland visitor arrivals to Hong Kong may not recover to its previous levels within a short period of time, whether the Government will assess the changes in the visitor sources of the tourism industry of Hong Kong in the latter half of this year and next year and the impacts thereof (particularly those on the hotel and guesthouse industry); and
5. as some members of the guesthouse industry have pointed out that (i) the subsidies available for guesthouses under the relief measures are less than those for hotels, (ii) due to constraints in the layouts of and the facilities in their rooms, guesthouses have difficulties in recruiting local clients renting on a monthly basis as hotels do, and (iii) there is little room for transformation for the guesthouses as the licensing requirements

preclude them from making any changes to the layouts, whether the Government will gain an understanding from members of the industry of their difficulties and study ways to remove the red tape with a view to facilitating the business transformation of members of the industry and assisting them in sustaining their operation; if so, of the details; if not, the reasons for that?

Reply:

President,

The local social incidents starting last year and the coronavirus disease 2019 outbreak have taken an unprecedented heavy toll on the tourism sector of Hong Kong. As the Government implemented border control measures to contain the outbreak, the number of visitors dropped significantly. In April 2020, the number of visitor arrivals plummeted by 99.9 per cent year-on-year, with only 140 people arriving daily on average. The businesses of guesthouses and hotels were hard hit as a result. Hotel room rates dropped by 31 per cent year-on-year in the first quarter of 2020 and the drop accelerated to 39 per cent in April. For the occupancy rate, the figure of hotel fell by 52 percentage points year-on-year to 40 per cent in the first quarter of 2020 while it dropped by 55 percentage points to 34 per cent in April. Average room occupancy rate of guesthouse decreased by 45 percentage points year-on-year to 39 per cent in the first quarter of 2020 and the figure dropped by 44 percentage points to 38 per cent in April.

Having consulted the Office of the Licensing Authority of the Home Affairs Department, the reply to the question raised by the Hon Vincent Cheng is as follows:

(1) The Government currently does not compile specific statistics on the number of guesthouses and hotels closing down, or figures of dismissal or redundancy related to the suspension of operation or closing down of guesthouses and hotels. Nonetheless, some statistics kept by the Office of the Licensing Authority of the Home Affairs Department may provide reference.

According to the records of the Office of the Licensing Authority of the Home Affairs Department, during the period from February 1, 2020 to May 31, 2020, 22 guesthouse licences and one hotel licence were invalidated due to the licence holders not applying for renewal of licences by the expiry date, withdrawing the submitted licence renewal applications, or requesting for cancellation of their licences. Details are set out in the table below.

Month	Number of license holder not applying for renewal of licence by the expiry date, withdrawing the submitted licence renewal application, or requesting for cancellation of licence	
	Guesthouse	Hotel
February	7	0

March	0	0
April	4	1
May	11	0

(2) To provide timely relief for the licensed guesthouses and hotels, the Government established the Licensed Guesthouses Subsidy Scheme under the first round of the Anti-epidemic Fund, providing each eligible guesthouse with a one-off subsidy of \$50,000 or \$80,000. The Government also established the Hotel Sector Support Scheme under the second round of the Anti-epidemic Fund, providing each eligible hotel with a one-off subsidy of \$300,000 or \$400,000.

In addition, the Government has also introduced a series of further relief measures to help businesses stay afloat; keep employment; relieve financial burdens of businesses and individuals; and support the recovery of the economy once the epidemic is contained. Under the new round of relief measures, in addition to dedicated subsidy schemes for particular industries and/or their employees, the Employment Support Scheme and the SME Financing Guarantee Scheme, etc., will benefit various industries and sectors. Furthermore, concessionary measures like subsidy for electricity tariff, reduction in profits tax, waiving of rates and business registration fees, would also help enterprises tide over. We trust that the above measures can also provide relief to guesthouses and hotels.

(3) and (4) The number and mix of visitors to Hong Kong in the latter half of this year and next year will hinge on the development of the epidemic, the border control measures, and the progress of economic recovery in Hong Kong and at different places around the world. As the development of the epidemic globally is still uncertain with multiple variables, it would be difficult to give accurate projections on the situation and the impact on the hotel and guesthouse industry at this stage. Nonetheless, after the epidemic, it is anticipated that the tourism industry will undergo major changes in view of the anti-epidemic efforts, the public health considerations, and the latest travel behaviour. In the early phase of resumption of tourism activities, we foresee that travellers are more likely to consider local trips. Even if they begin to travel abroad, they may prefer regions and cities which give them greater assurance in terms of epidemic prevention and hygiene. Wellness-themed and green itineraries are envisaged to become a possible new trend.

Against such background, the strategy for promoting tourism recovery should start from the local market. In planning the revival of the tourism industry, the Hong Kong Tourism Board (HKTB) will first launch the "Holiday at Home" campaign with the aim of energising the local community in order to send a positive message worldwide and restore visitors' confidence in visiting Hong Kong.

In addition, the HKTB has allocated a budget of \$400 million to support the tourism industry, including the hotel sector, in three areas:

(i) Subsidy schemes

- The HKTB will roll out a new funding scheme to incentivise hotels in attracting more small-sized corporate meetings and conventions of professional bodies.
- A new campaign, "MeetOn@HongKong", will be rolled out in which participating hotels will offer complimentary meeting or dining packages to meeting and incentive groups while the HKTB will step up its promotion efforts in addition to providing various offerings to these groups.
- The HKTB will sponsor the bidding of large-scale conventions and exhibitions for their hosting in Hong Kong. We hope this will also benefit the hotel sector.

(ii) Concessionary measures

- Participation fees for market promotion events organised by the HKTB will be waived for trade partners (including hotels). The HKTB will also provide subsidies for related air tickets and hotel accommodations. Furthermore, the HKTB will subsidise trade delegations in full to conduct roadshows in key source markets.

(iii) Step up promotion in source markets

- When the epidemic abates, the HKTB will work closely with hotels and other tourism related sectors in tactical promotions, MICE (i.e. meetings, incentives, conventions, and exhibitions) marketing, hosting of world-class conferences and exhibitions, as well as inviting more industry partners to Hong Kong for familiarisation trips, so as to revive the tourism market.

In addition to the promotion plan of the HKTB, amongst the various anti-epidemic relief measures launched in stages by the Government since end of last year, over \$1.3 billion has been allocated to the tourism sector benefitting the relevant enterprises and practitioners as well as funding various activities. These measures can assist the tourism industry in weathering the current difficulties.

(5) Operation of hotels and guesthouses in Hong Kong is regulated by the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) (the Ordinance). The purpose is to ensure that premises intended to be used as hotels/guesthouses comply with the statutory standards in respect of building structure and fire safety in order to safeguard lodgers and members of the public. The Office of the Licensing Authority under the Home Affairs Department is responsible for

administering the Ordinance, including issuing licences and performing enforcement duties.

In accordance with the licence conditions, all licensed hotels/guesthouses, which plan to carry out alterations works, should obtain the formal written agreement of the Hotel and Guesthouse Accommodation Authority. After receiving the alterations proposals, the Hotel and Guesthouse Accommodation Authority would process the applications with pragmatism and flexibility, as well as provide all feasible assistance to concerned hotels/guesthouses as it has always been doing.