

Mr Paul Chan Mo-po, GBM, GBS, MH, JP
Financial Secretary
25/F, Central Government Offices,
2 Tim Mei Avenue, Tamar
Hong Kong

14 February 2022

Dear Financial Secretary,

On behalf of the British Chamber of Commerce in Hong Kong, the SME and Start-up Committee ("the Committee") would like to thank the HKSAR Government ("HKSARG") for the financial measures and efforts it has undertaken in the past two years to assist small- and medium-sized businesses to navigate the worst of the pandemic.

At our most recent meeting, the Committee felt it would be beneficial to our members and those businesses that are not members but who also are affected by the pandemic, that we offer HKSARG our perspective on the relief measures and their impact so far.

There are three strategic areas we would like to comment on.

1. Assistance for secondary supply chain businesses

Those businesses that have benefited from specific relief measures often have long supply chains of businesses who have been severely impacted but do not themselves qualify for relief. We recommend HKSARG consider specific relief measures for those impacted businesses. For example:

1.1. Direct suppliers:

Meat, produce, seafood, coffee, dry goods, baked goods, beer, and wine suppliers are directly impacted by reduced orders from the food & beverage ("F&B") sector. These suppliers are likely to be left with unsold stock. Delayed payments from F&B establishments are also seriously impacting cash flow of these suppliers, resulting in layoffs and some businesses closing.

1.2. Indirect suppliers:

Accounting, IT, and marketing firms are indirectly affected. As these services are not revenue enhancing, F&B and other impacted businesses are reducing all non-essential overhead costs as well as delaying payments to suppliers.

- We recommend a one-off relief payment be provided to direct or indirect suppliers, who are not otherwise receiving subsidies under other government schemes and who can demonstrate a significant reduction in turnover due to the pandemic.



1.3. Technology firms:

Businesses such as Foodpanda and Deliveroo are essential in business continuity and helping F&B establishments in reaching an extended customer base. However, the fees they charge range from 20% to 35% with the costs incurred by the F&B establishments.

- We recommend an additional relief measure paid to F&B establishments to compensate them for the additional costs of using delivery services.

2. Assistance to businesses that do not fall under a 3rd party regulator or license

We have noted that HKSARG has recently focused on providing relief measures to industries it feels have been especially impacted by COVID or to companies that are regulated in some way by industry groups or government agencies or via a license type. While this approach helps with ease of application, approval process and fund disbursement, there are other companies needing support that do not fall into the targeted categories.

An example would be those businesses that are impacted by the shutdown of the entertainment industry such as businesses that do event management or those that rent ball gowns or tuxedos or those who provide sound and lighting equipment, talent agencies, marketing and creative agencies etc.

Another example would be NGOs, charities and organisations that rely on sponsorships, donations or events for fundraising. This would include many Chambers of Commerce. There is no relief support that they qualify for, but they are impacted.

- We recommend special relief be provided to businesses who fall into this category and can demonstrate a significant reduction in receipts due to the pandemic.

3. Consideration of areas for improvement with the existing measures

While there has been considerable effort in providing the measures to date, there are areas where we feel improvements could be considered.

a) Despite F&B outlets being allowed to operate before 6pm many of those outlets in business districts are suffering from a lack of business with more people working from home. Other businesses such as gyms, beauty parlours, clubs, etc, have been forced to temporarily shut due to new COVID restrictions. Where these businesses qualify for relief, the amount of relief will not cover the monthly rental, let alone other costs.

- We recommend consideration is given to significantly increasing the amount of relief for the F&B sector and businesses that have had to temporarily close due to restrictions.



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- b) Where relief measures are based on the size of the premises we note that the location of the outlet has a significant impact on costs. Ground floor premises in Central or Admiralty have considerably higher costs than say a 2nd floor premise in Yuen Long or Tsuen Wan.
- We recommend basing the relief amount on location and address, with the easiest structure being New Territories, Kowloon or Hong Kong. In addition, a difference between the relief given for a ground floor versus a higher floor location would also be more appropriate if possible.
- c) Relief measures based on size will also have a significant impact to a company who just falls short of the cut-off. A 99-square metre outlet receives 50% of the sum allocated to one measuring 100-square metres.
- We recommend adjusting the relief measure to be based on a fixed amount per square metre of tenancy agreement.

We understand the magnitude and complexity of what we have suggested but hope that our perspectives may help guide your ongoing strategic thinking. The Committee would be pleased to discuss any of our recommendations with you should clarification or additional input be required.

Yours sincerely,

Phil Aldridge

Chair of SME & Start-up Committee
The British Chamber of Commerce in Hong Kong

Cc: Mr Edward Yau Tang-wah, GBS, JP, Secretary for Commerce and Economic Development
Ms Elizabeth Fung, Political Assistant to Secretary for Commerce and Economic Development
Miss Susan Yip Hin-wa, Assistant Secretary, Financial Secretary's Office
Mr Peter Burnett, Chairman of the British Chamber of Commerce in Hong Kong
Mr David Graham, Executive Director of the British Chamber of Commerce in Hong Kong