

More hotels expected to close as no recovery in sight

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by NUR HAZIQAH A MALEK / graphic by MZUKRI MOHAMAD

MORE hotels are expected to close down as the reimplementation of the Movement Control Order (MCO), lack of fiscal aid and depleting cashflow drag the industry down further.

Malaysian Association of Hotel Owners ED Shaharuddin Mohamad Saaid said it is expected that more hotels will be closing down, as they are not allowed to take in any tourist guests, although the industry is considered an essential service under the MCO.

“It is hard to sustain and survive when there are no interstate travel and foreign tourists, with last year reporting very bad business and heavy losses to hotel operations because funds were drained.

“Not to mention that the latest stimulus package has not helped with a wage subsidy of RM600, even though the maximum number of eligible staff has been raised to 500,” he told The Malaysian Reserve.

He added that 10% of the electricity utility bill discount was not given to the hotels from the October to December 2020 period.

“Cashflows right now are very critical and a lot of us are starting 2021 without revenue or income from the previous year.

“It is no surprise that not many hotels can sustain much longer unless the government comes up with better and effective stimulus packages or incentives for the industry,” he said.

Recently, a notice of closure for Hotel Equatorial Penang was widely circulated online stating that the premise will close effectively on March 31.

“This is a very sad and difficult decision.

“The last day of business to the public has yet to be decided, but it will be before March 31, 2021,” the notice read.

It also said until the hotel officially ceases its operations, all of its employees shall “remain committed to upkeep the strong heritage and name of Hotel Equatorial Penang”.

“Despite huge losses suffered by the company, the hotel will pay severance benefits, details of which will be announced at a later date,” the notice said.

Equatorial Hotel became the latest household name to announce its closure, joining the ranks of other hotels which suffered similar fate such as Ramada Plaza Melaka Hotel; G City Club Hotel in Kuala Lumpur; Kinta Riverfront Hotel and Suites in Ipoh; and Hotel Penaga, Jazz Hotel and Jerejak Island Resort in Penang.

Previously, the Malaysian Association of Hotels had also expressed its disappointment in the government’s initiatives under the Malaysian Economic and Rakyat’s Protection Assistance Package, or Permai, announced on Jan 18.

CEO Yap Lip Seng said the hotel industry was looking forward for more direct assistance such as higher wage subsidies, electricity and water discounts, and even discounts on assessments after having lost literally all revenue streams.

“The announcement, however, again fell short of the industry’s expectations.

“Other than the 10% discount on electricity, and that is only from January to March 2021, there was no other assistance extended to the hotel industry. Moratorium on loans was again left in the hands of commercial banks and financial institutions,” he said.

He added that the association has repeatedly proposed for a 50% wage subsidy for those earning up to RM4,000 and 30% to those earning up to RM8,000 in order to retain employees.

According to the association’s survey last June, 50% of the hotels responded were considering ceasing operations, while 35% of hoteliers said they would temporary halt their businesses.

Previously, the hotel industry reopened for the year-end holiday period, with players taking in mainly contract and part-timers to cope with the peak duration.

The latest number of closures in the industry was based on figures revealed by the Tourism, Arts and Culture Minister Datuk Seri Nancy Shukri on Nov 23, 2020, stating that a total of 204 tourism and hotel operators have closed their businesses since March 2020.

The number comprised 109 entities in the hotel sector, while 95 others were tourism agencies and activities operators.