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TOURISM NEWS

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Solutions for Surviving COVID-19: A Malaysian Hotel and Tourism Industry Perspective.

By  **Dr. Mayukh Dewan** | April 28, 2020 |  382 |



In the [first part of this article](#), we have discussed the economic impact of Coronavirus on the Malaysian tourism and hospitality industry.

In this second part, we now discuss the tourism stimulus for short-term, medium-term, and long-term along with solutions that have been suggested by the Malaysian Association of Hotels (MAH) research and development department.

In this article, we will also see if the Malaysian model is feasible and can be applied to the large Indian hospitality and tourism market.

TOURISM STIMULUS

The Malaysian Association of Hotels has come up with some proposals and solutions which they have asked the Malaysian central government. These solutions are divided into 3 separate parts.

Short/ Immediate Term

Ease for hotel's utility costs (water and electricity)

The Malaysian hotel industry has asked the government for a 50% discount on all water bills immediately up till the end of December 2020. In regards to electricity, they have asked the governments to consider giving a discount of 50% and waiver off the maximum demand charges until the end of 2020. They have also asked the government to ensure that SESB (Sabah) and Sarawak Energy

implement the same. Going further, the hotel industry has also requested for a standard industry tariff instead of the commercial tariff for the tourism and hospitality industry and to recognize the tourism industry's contribution to the economy of the country.

Temporary Reduction of Employers' Contribution to Employee Provident Fund (EPF)

A temporary reduction in the employer's contribution towards employee's EPF would help the employers as they are facing cash flow constraints due to the current coronavirus situation. The hotels have asked for a minimum reduction of 5% for employers till the end of December 2020.

Subsidy for Payroll

To secure the job of all permanent employees in the hotel industry in Malaysia the industry has requested the government for a subsidy of a minimum of RM 1000 per employee per month for employees earning less than 4000 ringgit/ month till the end of this year. The industry feels that this will enable them to retain their workforce and in turn sustain the industry. Further, they have asked for a 30% subsidy for employees earning between RM 4000 to RM 8000 per month.

As of 25th April, many big Malaysian hotels (including one of Malaysia's biggest homegrown hotel companies) have cut staff salaries by between 10% to 75% for various levels within the individual group. Many of the smaller hotel companies have started laying off staff and have also seized operations because they have not got enough funding from their investors to continue any further.

Waiver for loan interest

The hospitality and tourism industry has asked for a blanket waiver of interest on loans, hire and purchase credit card debts and consider underwriting 50% of all SME loans in the industry for its survival.

Temporary Waiver of Music Rights Malaysia (MRM) Fees

The hotel and convention industry in Malaysia are liable to pay music royalty fees to the MRM as by the directive of the Ministry of Domestic Trade and Consumer Affairs. This is based on the size of the rooms, the size of the food and beverage outlets, common areas within the hotels and convention centers, and the broadcast method used for music. The industry has asked for a temporary waiver for this year and a 50% discount for 2021.

Waiver of Quit Rent and Assessment for Hotels

The industry has requested for quit rent and assessment waiver for the financial year 2020 to lessen the burden of the losses due to this pandemic.

Taxation Initiatives

A waiver or tax relief and incentives for the hotel and tourism industry especially for loss-making hotels would be something the hotel industry would really look forward to in Malaysia. The Malaysian Association of Hotels feels that not just taxation relief for companies but also a personal tax relief for the year 2020 assessment along with temporary exemptions on PCB deductions will ease the burden of all people.

Mid Term

Revision of Tourism Tax (Act 791 from 2017)

Section 8.1 and 8.2 gives the power to the Ministry of Finance 'to fix' or change the rate of tourism tax. The industry has requested the Ministry of Finance to review and reduce the tourism tax from the existing RM 10 to RM 1 per room night so that it simulates foreign tourists' arrival and spending in the hotel industry for years 2020 as well as 2021. The industry feels that this would be seen as a welcome change by the tourists and they would see Malaysia as an international tourist-friendly destination.

Temporary Waiver of Fees

The hotel industry would appreciate a temporary waiver of all local and council fees imposed on hotels till 2021 so that it encourages tourism.

Relaxing of Aircraft Parking Charges and Airport Related Fees

The travel and aviation industry would be truly benefited if the government gets flexible on parking charges for the year 2020 so that more chartered flights and targeted flights can land in KLIA at a much affordable price.

Long Term

Setting Up of Special Public & Private Partnership (PPP) Tourism Marketing Fund

The Malaysian tourism industry would like a dedicated PPP marketing fund wherein both private sector stakeholders, as well as the government, can work on marketing and promotional campaigns for both domestic as well as alternate international markets. This would help in the recovery campaign for both mid-term and long-term initiatives.

Reconsidering Tourism Management & Tourism Economics

The Malaysian tourism and hospitality industry would greatly benefit if the government considered a public-private partnership for tourism management, especially for promotions and marketing activities. All the industry players, as well as academics in tourism studies in Malaysia, agree that there is an oversupply of legitimate rooms in the Malaysian market. After this pandemic, this oversupply may cause even more problems for the industry. This oversupply does not include non-legitimate players like Airbnb who do not pay anything to the government as taxes. Along with this, the Malaysian home-sharing industry which operates freely and benefits from high income from renting their homes to tourists also contribute to this oversupply. Maybe the government can consider stopping Airbnb and similar home-renting establishments so that it allows the hospitality and tourism industry to recover.

MALAYSIAN HOTELS USED AS QUARANTINE CENTRES

The Malaysian government has imposed a compulsory quarantine period of 14 days for all Malaysians coming into the country since the 3rd of April 2020. This has been done so that any coronavirus case which enters Malaysia stays quarantined and prevents further spread from inbound cases. For the same, there was a need for properly equipped quarantine centers which were better than putting people in home-quarantine. The Ministry of Tourism Arts and Culture (MOTAC) approached the Malaysian Association of Hotels (MAH) for sourcing all hotels in the country's entry points. A total of 10,000 rooms were committed to the government at RM 150 per room per night which included three meals for the quarantined guest. By the end of last week this list had grown up to 23,000 rooms and more than 12,000 Malaysians were quarantined. The revenue earned for hotels from this initiative may not be sustainable in the long run but at least it is still better than getting no revenue at all.

This two-part article can be seen as a case study for the Indian hospitality and tourism market. The key stakeholders which include all private and public players in the Indian hospitality and tourism market

along with all government bodies, local state authorities and local councils can learn from what is happening in Malaysia and see how this can be implemented in the Indian scenario.

Obviously, the differences are huge, Malaysia being about 1/10th the size of India by country size and much smaller than India when it comes to population. Nevertheless, as Malaysia (along with Singapore) was one of the first few countries in Southeast Asia to start implementing tough measures against coronavirus, it has seen a lot of improvements and flattening of the curve of new cases and deaths. At present Malaysia is still in a lockdown till the 12th of May 2020. The author hopes that the Malaysian lockdown ceases soon and that regular life (if there is even such a thing) resumes quickly in the near future For not just Malaysia but also India which is in a lockdown till the third of May 2020 at the moment.

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Dr. Mayukh Dewan

Dr. Mayukh Dewan's experience and knowledge in the hospitality industry is attributed to his experience travelling and working across the different countries around the world. He has experience managing hotels & restaurants along with teaching and researching in the field of hospitality & tourism and food habits of tourists

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