PRESS STATEMENT
FOR IMMEDIATE RELEASE
4 March 2025

MAH URGES LAWMAKERS PROMPT INTERVENTION IN KOTA KINABALU HOTEL LICENSING FEES HIKE

KUALA LUMPUR – MAH is urging Kota Kinabalu **lawmakers to reconsider their new hotel licensing fees** as it poses a severe threat to the continuation of hotels business, from budget accommodations to five-star establishments. Hotels in Kota Kinabalu Sabah have been experiencing severe operational costs increase following the state's reinstatement of hotel licensing rates by the **Hotel & Lodging Houses By-Laws of 1966.**

Sudden Spike In Operational Costs : An Unbearable Weight on Hotels
The sudden shift from the 1989 Cabinet Licensing Fees Structure to the 1966 rates has sent operational costs soaring for hotels:

<table>
<tr><th colspan="2">1989 Cabinet Licensing Fees Structure</th><th colspan="2">1966 Reinstated Fees Structure</th></tr>
<tr><th>Hotel Class</th><th>Fees</th><th>Hotel Class</th><th>Fees</th></tr>
<tr><td>Class 1</td><td rowspan="3">RM10 Per Room/Annum</td><td>Class 1</td><td>RM4.65 per room per day</td></tr>
<tr><td>Class 2</td><td>Class 2</td><td>RM2.65 per room per day</td></tr>
<tr><td>Class 3</td><td>Class 3</td><td>RM1.30 per room per day</td></tr>
<tr><td></td><td></td><td colspan="2">* Unoccupied rooms will not be charged</td></tr>
</table>

Mr Hafizan Wong, the Chapter Chairman of MAH Sabah/Labuan Chapter stated that *"Previously, hotel operators were required to pay a **licensing fee of only RM10 per room per annum**. Under the new fee structure, they now have to pay rates per occupied room per month, based on DBKK's hotel classification category of first, second and third class. Such a steep increase in costs may force some of us to reduce our services, lay off staff, or, in extreme cases, cease operations,"*

To put into perspective, under the reinstated fee structure:

- A **100-room hotel** classified as a **2nd Class Hotel** would now have to pay **RM80 per occupied room per month.**
- If the hotel achieves an **occupancy of 60% or 1,860 room nights per month**, the monthly licensing fee would be a staggering **RM4,800 a month or RM57,600 per year;** a drastic increase from the previous **RM1,000 annual fee**.

A Plea for Empathy, Fairness and Balanced Approach: Address the Unregulated Market First
MAH is aware and acknowledges the city's desire to balance economic growth with environmental responsibility. Hotels being one of the sectors to also profit in the influx of tourists have been expected to contribute more towards the prosperity of the city. MAH firmly asserts that **true shared prosperity** can only happen when all accommodation

providers, including Short-Term Rental Accommodations (STRA), are held to the same standards.

The current fee hike disproportionately affects licensed hotels that already adhere to strict regulations, taxes, and operational costs, while many unlicensed STRA operators continue to run unchecked. The playing field remains unbalanced — and it is unjust to impose these sudden, exorbitant fees without first addressing the gaps in STRA regulation.

Datin Christina Toh, President of MAH said: *"If Kota Kinabalu is seeking to increase its funds for city upkeep, let's work together to close the gaps on unlicensed accommodations instead of punishing licensed hotels for playing by the rules."* She added: *"We are not just against the fees increasing. We understand the need to contribute to ensure the city's prosperity but this must be done fairly. Law-abiding hotels should not bear the financial weight alone while others continue to operate without proper licensing and financial contributions."*

Severe Impact on Local Hotels and Tourism Economy

Hotels, as legitimate businesses, bear significant operational costs, including taxes, licenses, facility maintenance, guest services, and employee wages. A substantial decline in revenue would inevitably impact the overall sustainability of these establishments creating a lose-lose situation for the industry, its workforce, and the tourism sector as a whole. Some adverse effects includes:

- **Higher room rates**: To offset rising costs, hotels may have no choice but to increase prices, making local stays less attractive for both domestic and international tourists.
- **Strain on domestic tourism**: Already, there is growing concern that Malaysian travelers are opting for cheaper holidays in neighboring countries, undermining local tourism campaigns.
- **Job losses and reduced investments**: Small and mid-sized hotels may struggle to stay afloat, resulting in layoffs and the stalling of future hospitality investments — hitting local businesses, from restaurants to transport services.
- **Public misperception**: Without proper communication, guests may wrongly blame hotels for price increases, unaware that these hikes stem from government-imposed fees — further eroding trust in the industry.

A Call for Constructive Dialogue and Solutions

MAH reiterates that we are not simply opposing the fees increase — we are advocating for collaborative solutions. We urge the Sabah State Government and DBKK to:

1. **Suspend the implementation of the new fees** until a transparent consultation with industry stakeholders can take place.
2. **Review the licensing fee structure** to create a fair, sustainable model that supports both tourism growth and hotel operations.
3. **Implement clear regulations for STRA operators** to ensure a level playing field across the accommodation sector.

4. **Introduce transitional measures** for hotels to gradually adjust to any fee revisions, avoiding sudden financial shocks.

Datin Christina Toh, President of MAH, further emphasized: *"While we support regulations that elevate the hospitality sector, policies must be both practical and progressive. Lawmakers needs to take into account industry stakeholders as we are the ones doing business on the ground, keeping close to the heartbeat of this industry,"* added Datin Christina. *"We are not resisting change. We are calling for a smarter, fairer way to grow Kota Kinabalu's tourism economy, by working together, not punishing those striving to do things the right way."*

<u>Standing Firm for Our Members</u>

MAH remains steadfast in protecting the rights of its members. Our **MAH Sabah/Labuan Chapter** is actively engaging with the relevant authorities and has joined forces with **MAHO and MyBHA** in issuing a **joint counter-proposal** to the Kota Kinabalu Mayor — pending his response.

We are also conducting a **comparative study on hotel licensing fees across Malaysian states** to present an informed, data-driven case to the Sabah Cabinet.

<u>A United Voice for Malaysia's Hospitality Sector</u>

As the national representative body for hotels in Malaysia, MAH is committed to fostering open dialogue and constructive collaboration. We urge fellow industry players, policymakers, and the public to work together in shaping a sustainable, competitive, and welcoming hospitality ecosystem for all of Malaysia.

-END-