



AUSTRALIAN HOTELS ASSOCIATION

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30 January 2020

Budget Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Prebudgetsubs@treasury.gov.au

Dear Sir/Madam,

Pre-Budget Submission FY21

The Australian Hotels Association (AHA) is an organisation of employers in the hotel and hospitality industry registered under the *Fair Work (Registered Organisations) Act 2009*. Its diverse membership of more than 5,000 licensed hotel businesses includes pub-style hotels plus three, four and five-star international accommodation hotels located in each state and territory. The size and scope of the Australian hotel industry includes:

- Over 5,000 businesses
- Generating over \$12,000,000,000 economic benefit
- Providing over 270,000 jobs
- Supporting over 50,000 community groups

The AHA believes the goals of the federal budget should include:

- Taxes that are lower, simpler, and fairer
- Stimulating the Australian economy
- Addressing the inequities between the “digital” and “bricks and mortar” economies
- Increasing social inclusion and improving living standards through workforce participation

The AHA notes that Tourism Accommodation Australia (TAA) has also made a submission. TAA is a division of the AHA representing the specific needs and interests of the substantial operators of Australia’s accommodation industry. The AHA supports the TAA submission.

1 ALCOHOL EXCISE

The AHA understands the legitimate concerns about the misuse of alcohol in the community; this is especially the case in unregulated environments. The hotel industry shares many of these concerns and acknowledges its responsibility to serve alcohol responsibly to minimise misuse. The AHA notes the following improvement in indicators related to alcohol consumption, e.g.:

- Alcohol consumption in Australia has fallen 25% over the last 40 years

- Just 6% of Australians drink daily – down from 9% a decade ago
- A shift to low and mid strength beers means that low and mid strength beer now accounts for 24% of all beer sales in Australia

The AHA notes:

- Only 19% of alcohol is consumed in pubs, bars and taverns, which are heavily regulated
- The remaining 81% of alcohol is consumed in unregulated environments

The AHA also notes the positive social and economic effects when comparing the consumption of alcohol at licensed venues compared to alcohol consumed in unregulated environments. The positive social benefits include:

- Trained staff enforcing the Responsible Service of Alcohol (RSA)
- A safer environment in which to consume alcohol, e.g. security, lighting, CCTV
- Increased social interaction and capacity to support community groups
- Increased social inclusion through workforce participation
- Provision of entertainment, e.g. live music

Business activity in hotels creates positive economic multiplier benefits that do not exist in unregulated environments, e.g.:

- Payment of staff wages, training, work cover insurance, superannuation, etc.
- Purchase of equipment e.g. beer taps, cold rooms, air conditioning, glassware
- Purchase of furniture, floor coverings, CCTV, televisions, sound systems
- Expenditure on building construction, improvements and maintenance
- Expenditure on power, utilities and consumables

The AHA is concerned that the six monthly CPI increase on beer and spirits acts as a virtual payroll tax for the federal government, forcing up the cost of living, and will inevitably lead to a drop in employment and other economic activity.

The AHA advocates a moratorium on CPI increases for all excise rates for beer and spirits.

2 ENERGY PRICING AND RELIABILITY

In setting complementary energy and emissions reductions policies in the national interest, AHA recommends that the Government remain cognisant that investment, employment and productivity growth are equally in the national interest.

Energy is one of the most important inputs for hoteliers, significantly affecting the price of electricity, laundry and repairs. The hotel industry requires access to secure and affordable energy every hour of every day.

Without energy affordability and reliability, operating margins diminish and operating conditions become more precarious. Energy affordability and reliability is fundamental to achieving sustainable investment, employment and productivity growth in the hotel sector.

Retail electricity prices for hotel operators have increased substantially in the last decade, domestic gas prices have risen considerably as gas supplies available for domestic consumption have tightened. Energy security has decreased as reliance on the National Electricity Market (NEM) has fallen.

The AHA notes that it has taken action itself to increase affordability and reliability. In a significant venture, AHA NSW (including ACT) has established a world first aggregated renewable energy power purchase agreement (PPA) with electricity Engie and retailer Simply Energy. Sourcing from renewable PPAs enables ENGIE, through its retailer, Simply Energy to provide AHA members who participate in the Offer with competitive pricing compared to today's current prices and greater long-term price certainty for the energy supplied from large scale renewable projects throughout the 10 year contract term.

The price in the first two years is fixed 6.9 cents per kWh. The Agreement will see Engie construct Silverleaf Solar Farm at Narrabri NSW Farm, which will generate an average of 297,855 MWh/year. I note that 1MWh from renewable generation saves 0.82 tonnes of CO2 equivalent in NSW (Department of Environment and Energy). Therefore the construction of the Silverleaf Solar Farm saves 244,241.1 tonnes of CO2 equivalent per year - almost a quarter of a million tonnes per year.

In addition, Engie and Simply Energy are also working with AHA SA and QHA to establish renewable energy power purchase agreements in South Australia and Queensland. Also, AHA Victoria is entering a partnership with CUB for the supply of renewable energy to its members.

Whilst the AHA has embarked on a path to reducing greenhouse emissions, the AHA also recognises the continuing need for dispatchable generation from sources such as coal, gas and hydro.

The AHA recommends the Government:

- Introduces no new taxes, levies or charges that increase the cost of energy
- Implements policies aimed at decreasing the cost of energy
- Ensures the secure supply of energy

3 MUSIC TAX OFFSET

AHA is concerned at the costs of supporting live music. There is significant expense in setting up and operating a venue for live music. There can be little perceived benefit for venues to present music. Live music is not often understood or managed as a viable or high potential business strategy.

AHA suggests a very broad based approach to educating, incentivising and exciting the hospitality sector about the potential of live music. To incentivise venues to spend the money to equip a venue properly, and treat the live music strategy as seriously as their food and beverage business.

Tax Offsets provide the opportunity of a broad based, high volume low value (per venue) strategy for addressing what is arguably market failure in this key sector of the music industry. Proposing a rebatable tax offset, available to new and existing live music venues will absolutely be a catalyst for renewal.

APRA AMCOS engaged Ernst & Young in 2016 to investigate the application of tax offsets to the music industry. A rebatable tax offset for live music was found to provide the best return to venues, artists and government, in fact it becomes cash flow positive for government within a couple of years. The full report and summary is found at the following link.

The tax offset proposal is supported by:

- APRA AMCOS
- Restaurant & Catering Association
- Australia Council
- PPCA

The AHA seeks a commitment to introduce a tax offset for investment in live music venues.

4 LABOUR SKILLS AND SHORTAGE

To meet the lower and upper demand scenarios, an additional 123,072 to 399,806 tourism workers on the current 2016-17 workforce (598,200 workers directly employed) would be required by 2029-30.¹ Between 2008-09 and 2016-17, the workforce grew 1.3% per annum, with 57,800 additional workers in 2016-17 compared to the 540,300 in 2008-09. The majority of workers were employed in cafes, restaurants, and accommodation (88,800 or 14.8% of the industry).²

It is anticipated that on the lower end of projected growth forecasts the accommodation sector will grow to 105,700 persons employed by 2030, and on the upper end to 146,200. This equates to growth of somewhere between 16,900 and 57,400 persons employed (this does not include projected annual productivity improvements, which may impact on the labour force supply requirements).³

The Deloitte report identified that there are supply constraints in the labour force due to the location of workers which may not align with the location of jobs, as well as a skills mismatch between currently unemployed workers and the role requirements.⁴

The national average vacancy rate across all industries was 0.8% in 2016-17, whereas for *accommodation* it was 4% and for *clubs, pubs, taverns and bars* it was 9%.⁵

Workforce Requirements

The TAA NSW Labour Benchmarking Study 2019 revealed that 0.43 employees are required per accommodation room.⁶ The Tourism Investment Monitor reveals that there are 53,227 projects in the pipeline (recorded as at 2018) from 305 projects. This creates a need for at least 22,887 additional workers ($0.43 \times 53,227 = 22,887$). As recorded in 2017, there are 88,800 directly employed accommodation workers. Hence, 22,887 additional workers represents a 26% increase of the workforce in the coming years.

The broader tourism sector was predicted to witness a shortfall of 150,000 workers by 2020.⁷ Newer projections for the next five years are not yet available. By May 2023 Accommodation and Food Services employment is projected to increase by 81,400 (or 9.1%). This includes a projected need for:

¹ Deloitte Access Economics, *Tourism 2030 Supply side requirements to support the development of the 2030 tourism strategy*, Austrade, August 2018.

² Ibid, p.44.

³ Ibid, pp.47-8.

⁴ Ibid, p. 50.

⁵ Ibid, p.51.

⁶ TAA NSW, Hotel Labour Benchmarking Study 2019.

⁷ Australian Tourism Labour Force Report 2015-2020, Austrade, 2015.

- 400 Hotel and Motel Managers (increase of 1.7%);
- 10,200 Accommodation and Hospitality Managers (increase of 9.4%);
- 13,300 Miscellaneous Hospitality, Retail and Service Managers (increase of 7.6%);
- 16,800 Chefs (increase of 16.7%);
- 14,100 Bar Attendants and Baristas (increase of 13.4%);
- 21,800 Waiters (increase of 21.8%); and
- 4,300 Housekeepers (increase of 12.5%).

A key concern is that there is a shortage of labour and skills and that this will be exacerbated with the forecast growth of the industry. Shortages will have a negative impact on productivity and potentially compromise the continuation and growth of Australia’s robust hospitality and tourism sector.

Factors contributing to the skills shortage

Research shows that the following combine to create substantial labour market gaps across the accommodation sector:

- Limited applicants with sufficient skills, education and experience;⁸
- Competition from other sectors;⁹
- Growth in supply;
- Seasonality of demand in regional areas; and
- A lack of interest in careers in hospitality and tourism.¹⁰

Meeting the demand for labour requires government and industry to make a strong commitment to training and skills development and promotion of attractive career paths as well as simplified access to skilled migration. With ever tightening constraints on skilled visas and the increase in accommodation supply we need to attract more Australians into the industry, and our research shows that 24.2% of all employees are international workers.¹¹

Attracting Australians into Hospitality and tourism

There is a need to address misconceptions in the industry (that we have a diversity of jobs; not just casuals – 70% are full time employees with tenure and certainty; a career not a job; long hours; hard work etc.) and highlight the inspiring and rewarding professional career paths available to encourage people to enter and stay in the industry.

Apprenticeships and traineeships are a proven model of structured training and work experience - to fill these skills gaps across a range of roles in the industry, employers are re-introducing internships and traineeships to ensure attraction and retention of many employees. NCVET data shows that for the March 2019 quarter there was a decline across the board for food trades apprentices and trainees:

	2018-19 change	2015-19 change	Numbers in 2019

⁸ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p. 27.

⁹ Ibid.

¹⁰ Colmar Brunton, Australian Trade Commission. *Tourism and Hospitality Careers*, 8 March 2016.

¹¹ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p.13.

Commencements	-0.3%	-39.9%	6,055
Cancellations and withdrawals	-8.9%	-38.4%	5,450
Completions	-5.4%	-34.4%	3,160
In training as at 31 March 2019	-6.3%	-27.5%	11,850

Source: NCVER, Apprentices and trainees 2019: March quarter – Australia

Incentives and initiatives are needed to attract more Australians into the industry, in particular with a focus on attracting more apprentices and trainees. One area that has declined is mature-age apprenticeships because of the considerable costs attached to employing and training them versus apprentices under 21.

Attracting Adult Apprentices into the Hospitality Industry (chefs and cooks)

An adult apprentice is an apprentice who is 21 years of age or over at the commencement of their apprenticeship. Adult apprentices form a significant proportion of all apprentices. As of 2016, adult apprentices represented 28% of trade apprentices. They are a different group from younger apprentices as they:

- Generally have greater skills prior learning and experience in the labour market and education sectors, as indicated by both the higher proportions of older apprentices who are existing workers and hold a qualification at certificate III or above; and
- Are more likely to be undertaking training at a higher level than younger apprentices and are more likely to complete their apprenticeship.

Data from 2016¹² suggests a declining trend in the numbers of adult apprentices. This is largely a result of:

- the discontinuation and changes to incentive arrangements for adult apprentices and existing workers under the *Commonwealth Australian Apprentices Incentives Program*;¹³ and
- The Fair Work decision to increase Adult apprentice wages to 80% of the adult wage in year one from 1 January 2014. Prior to 2014, the minimum wages applying to apprentices was the same regardless of age.

As a result of these changes 66% of adult trade apprentices obtained jobs compared to 84% of younger apprentices.¹⁴ The AHA supports:

- Initiatives that attract more Australians into the industry, in particular with a focus on attracting more apprentices and trainees – a major skills gap is cooks and chefs.
- Apprenticeships and traineeships as a proven model of structured training and work experience and provide incentives for employers to hire adult apprentices.

¹² NCVER, The Changing Nature of Apprenticeships 1996- 2016, 17 April 2017.

¹³ Hargreaves, J & Blomberg, D 2015, Adult trade apprentices: exploring the significance of recognition of prior learning and skill sets for earlier completion, NCVER, Adelaide.

¹⁴ Hargreaves, J. Stanwick & P. Skujins, 'The changing nature of apprenticeships 1996-2016', National Centre for Vocational Education and Research, 2017, p. 14.

The AHA seeks the following commitments to solve the disincentive to hire adult apprentices and to also encourage adult apprentices, AHA recommends incentives (not displacing existing incentives) as follows:

- That the commencement incentive for apprentices (\$1,500) paid at 6 months should be moved back to 3 months based on the intensive support required in the first 100 days. The completion payment of \$2,500 to be paid once the qualification is completed (up to three years).
- Reinstatement of the “Tools for Trade” for adult apprentices up to \$5,500, in 5 incremental payments, over the period of an apprenticeship.
- That an incentive of \$10,000 be paid above and beyond the commencement and completion incentives as detailed above for adult apprentices (i.e.: aged over 21 years), based on the higher wages employers are required to pay (as of 1st January 2014) – wages are up to \$200 per week higher for adult apprentices. This could be paid in instalments in the first year of the apprenticeship.



STEPHEN FERGUSON
NATIONAL CEO