



**Australian Hotels Association (AHA)
Tourism Accommodation Australia (TAA)
Accommodation Association of Australia (AAoA)**

Joint Submission to:

Annual Wage Review 2015

**Fair Work Commission
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1. Background

This submission is made on behalf of:

- Australian Hotels Association (AHA)
- Tourism Accommodation Australia (TAA)
- Accommodation Association of Australia (AAoA)

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 membership of more than 5,000 licensed hotel businesses includes pub-style hotels plus three, four and five-star accommodation hotels located in each state and territory.

The AHA has branches located in every Australian capital city and a Canberra-based national office. Accommodation hotels are represented by Tourism Accommodation Australia (TAA), a division of the AHA.

The Accommodation Association of Australia (AAoA) represents accommodation operators of all sizes and standards. Member-owned and not-for-profit, AAoA represents owners, operators and employers in the accommodation industry and has been a voice for the accommodation sector for over 40 years. AAoA has members in all regions across Australia and has a Sydney based national office.

2. Size and scope

The hotel industry is a significant employer, with more than 278,000 persons employed between the pub sector (188,000)¹ and the accommodation sector (90,000)², and an annual wages and salaries contribution of \$5.41 billion.

Although some hotels are large-scale operations with hundreds of employees that form part of national or international chains, many members are small, locally owned businesses serving their surrounding communities. In 2005-06 only 145 of 65,197 businesses in the ABS Accommodation, Cafes & Restaurants sector employed more than 100 people.³

Hotels operate highly labour-intensive businesses and as such are significantly impacted by cost increases relating to employment. The Australian Fair Pay Commission identified that wages amount to 24 per cent of total expenses in the hospitality industry compared to the average across all industries of 15.8 per cent.⁴ The average member therefore has relative wage costs that are nearly 52 per cent higher than the average Australian business.

¹ PricewaterhouseCoopers (2009) *Australian hotels: More than just a drink and a flutter*

² Australian Fair Pay Commission (August 2008), *Accommodation, Cafes and Restaurants Industry Profile, Research Report No.1/09*

³ Australian Bureau of Statistics (2007), *Australian Industry 2005-06*

⁴ Australian Fair Pay Commission (August 2008), *Accommodation, Cafes and Restaurants Industry Profile, Research Report No.1/09*, p31

3. Submission

The hotel sector

In Year to Date Financial Year 2014-2015, the hotel sector:

1. Has continued to experience poor trading conditions as a consequence of the reduced spend by domestic consumers, the reduced domestic tourism generally and the impact of the higher Australian dollar for international visitors.
2. The industry has continued to be significantly impacted by increased utility cost.
3. The impact of the 2012-2013 and 2013-2014 wage increases being well in excess of CPI, has caused a reduction in overall employee working hours.
4. Tight trading conditions have meant that the majority of hotel businesses have had to absorb most of the wage increases over the past two years.
5. The combination of current wage pressures, reduced consumer spending and the inability to reasonably increase prices has meant that the profitability of the hotel businesses have deteriorated and in many cases has seen bank valuations reviewed triggering action by bankers to exercise default provisions on business loans.

Accordingly the 2015 Annual Wage Review needs to consider the capability of the business to sustain their employment levels and total hours available in the current economic climate.

Three year Increase v. CPI

It is further noted that the increases for the last three years were above CPI, with the national wage increase being 1.2% in excess of CPI.

Year to 30 June	Wage increase from 1 July	CPI per RBA all groups to 30 June	Difference
July 2012	2.9%	2.3%	0.6%
July 2013	2.6%	2.3%	0.3%
July 2014	3.0%	2.7%	0.3%
3 year increase	8.5%	7.3%	1.2%

Submission

Therefore, it is submitted that after taking into account that the national wage has exceeded CPI by 1.2% over the last three years, and considering the prevailing business environment in the hotel sector, that:

- The Panel should give special consideration to there being no increase to the national minimum wage awarded this year
- However, if the panel considered that an increase is justified, then it is submitted that such increase be no more than 0.9 per cent, or \$5.70 per week

This submission is consistent with the submission of the Australian Chamber of Commerce and Industry (ACCI).
