



Restaurant
& Catering

THE SENATE

SELECT COMMITTEE ON THE COST OF LIVING

OCTOBER 2024

INTRODUCTION

[1] The Restaurant and Catering Industry Association of Australia Incorporated (R&CA) are pleased to provide a submission for the Senate Select Committee on the Cost of Living.

ABOUT THE RESTAURANT & CATERING ASSOCIATION

[2] Founded in 1922, R&CA is the national industry association representing the interests of more than 57,000 restaurants, cafés, and catering businesses across Australia. The café, restaurant, and catering sector is vitally important to the national economy, generating over \$35 billion in retail turnover each year as well as employing 580,000 people.

[3] R&CA delivers tangible outcomes to small businesses within the hospitality industry by offering evidence-based solutions to various industry challenges. Our aim is to improve regulations and policies that impact the sector's operating environment to foster robust and prosperous businesses across Australia.

[4] We work to ensure the industry is respected for its integrity, professionalism, and dedication to excellence. This includes advocating the broader social and economic contribution of the sector to industry and government stakeholders, as well as highlighting the value of the industry to the Australian way of life.

[5] Given our remit, footprint, engagement with the sector, and ongoing advocacy, we provide you with the following submission and speak with authority.

COST OF LIVING

[6] R&CA acknowledges the Australian Government's inquiry into the Cost of Living, and the terms of reference. As this inquiry was first established on 28 September 2022, our submission is current for the period ending September 2024. R&CA acknowledge that previous periods have been thoroughly covered by the extensive submissions already received by the Committee.

[7] To determine the term 'cost of living' remains challenging as R&CA acknowledge that the diversity in society highlight the often-complex issues that are outside of the scope of this

submission. For simplicity, the term 'cost of living' for this submission depicts the expenses incurred by a household that are necessary to maintain a certain standard of living.¹

ECONOMIC CONDITIONS

[8] Economic conditions that influence the discretionary spending of consumers, have a material impact on the hospitality industry more broadly. Equally, the sentiment of small businesses, often family owned, reflect the prospects of employment and the sustainability of the industry.

[9] The hospitality industry has been particularly impacted by softer demand from discretionary spending.² Released in July 2024, the NAB Quarterly SME Survey revealed that the weakest economic conditions were for the 'accommodation and food' industry.³ The September statement by the Reserve Bank Board supports this as 'GDP data for the June quarter have confirmed that growth has been weak. Earlier declines in real disposable incomes and the ongoing effect of restrictive financial conditions continue to weigh on consumption, particularly discretionary consumption.'⁴

[10] While the term 'Inflation' is often synonymous with reports for economic conditions and 'the cost of living'; R&CA draw the distinction where the Consumer Price Inflation (CPI) is not the measure of the cost of living, however, provides for an indicative rate in the inflation of household goods and services.⁵ This is because the 'CPI is a measure of the price of a *fixed basket of goods and services*, with unchanged composition and quality over time.'⁶

[11] Therefore, the measurement of inflation is relative to individual households and the consumption of baskets of goods and services differ.⁷ On balance, this statement seems obvious. Yet, the complexity is significant as the Reserve Bank of Australia's (RBA) focus for monetary policy is balancing the restrictions imposed by interest rates to bring down inflation

¹ David Jacobs, Dilhan Perera and Thomas Williams, 'Inflation and the Cost of Living' (Bulletin, Reserve Bank of Australia, March 2014) 33 ('*Cost of Living*').

² Geneve Bullo et al, 'Small Business Economic and Financial Conditions' (Bulletin, Reserve Bank of Australia, October 2024) 23.

³ Brody Viney, Gareth Spence and Alan Oster, *NAB Quarterly SME Survey Q2 2024*, 25 July 2024, 1 ('*NAB Q2 2024*').

⁴ Reserve Bank of Australia, 'Statement by the Reserve Bank Board: Monetary Policy Decision' (Media Release 2024-18, 24 September 2024) <https://www.rba.gov.au/media-releases/2024/mr-24-18.html> .

⁵ *Cost of Living* (n 1) 34.

⁶ *Ibid* 33.

⁷ *Ibid* 34.

acknowledging that households and businesses will face hardship from those measures.⁸ On the other hand, 'inflation causes hardship for all Australians, and particularly for the more vulnerable in our community.'⁹

INDUSTRY CONSIDERATIONS

Industrial Relations and Wages

[12] R&CA's ongoing advocacy for the hospitality industry has amplified 'IR Fatigue' as a substantial issue in our sector.¹⁰ Ongoing major changes to industrial relations and the inherent red tape and complexity, has made it extremely difficult for businesses for workforce planning.

[13] Additionally, the increase in the minimum wage has been a factor in contributing to the erosion of employment opportunities within the sector as employers are faced with higher rates and ongoing skills shortages.

[14] The NAB Quarterly Business Survey for the period ending September 2024, reveals that the greatest issue affecting business confidence is 'wage costs'.¹¹ This is followed by pressure on margins, demand, and availability of suitable labour.¹²

[15] In contrast, the NAB Quarterly Business Survey for the period ending December 2023, revealed that the greatest issue affecting business confidence was 'wage costs'.¹³ This was followed by pressure on margins, availability of suitable labour, and demand.¹⁴

[16] The consistency of wage costs and the availability of suitable labour are clear as indicators of business confidence. Both of these directly contribute to the pressure on margins and are related to demand. Evidently, the lower the demand, the more pressure on margins because of the cost of labour and margins.

⁸ Michele Bullock, 'Keynote Address to the Anika Foundation Fundraising Lunch' (Speech, Anika Foundation, 5 September 2024) 5.

⁹ Ibid.

¹⁰ Evidence to Senate Select Committee on the Cost of Living, Parliament of Australia, Canberra, 16 August 2024, 3 (Suresh Manickam).

¹¹ Brody Viney and Gareth Spence, *NAB Quarterly Business Survey Q3 2024*, 17 October 2024, 3 ('*NAB Q3 2024*').

¹² Ibid.

¹³ Brody Viney, Gareth Spence and Alan Oster, *NAB Quarterly Business Survey Q4 2023*, 1 February 2024, 3 ('*NAB Q4 2023*').

¹⁴ Ibid.

Increases in Business Expenses

[17] The margins for operators rely on the fundamental principles being the difference between income and expenses. There was an increase in the cost of fruit and vegetables, and this contributed to inflation according to the Australian Bureau of Statistics (ABS).¹⁵ Over the past 12 months, meals out and take away foods increased by 4.2%.¹⁶ This reflects the industry's pressure to remain afloat while assessing the balance between menu prices and demand for consumption by customers.

[18] A major impact on margins and expenses are the direct input costs from energy. Electricity prices rose by 14.2% in the 12 months to the June 2024 quarter, excluding any rebates.¹⁷

OUR POSITION

[19] R&CA appreciates the complexity of the cost of living as an ongoing issue. Our position is simple and addresses the sound principles of reducing expenses for small businesses. R&CA recommend an ongoing and sustainable rebate for energy. A once off rebate ignores the consistent requirement for the consumption of energy for businesses, where hospitality businesses have a significant reliance.

[20] R&CA notes and supports submissions by the Australian Chamber of Commerce and Industry (ACCI) and other employer associations.

[21] R&CA thank the Senate Select Committee on the Cost of Living for their consideration, and welcome engagement

¹⁵ Australian Bureau of Statistics, *Consumer Price Index, Australia, June Quarter 2024* (Catalogue No 6401.0, 31 July 2024).

¹⁶ Ibid.

¹⁷ Ibid.