

21 AUG, 2024

## Pressure cooker

Wentworth Courier, Sydney

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# Wentworth Courier

**Inside**

- Crowds flock as Metro finally opens
- Federal Libs intervene after election bungle

**Pressure cooker**

Hospitality businesses on life support

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Picture: John Appleyard



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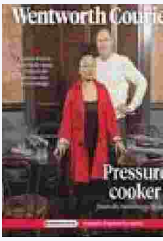


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Everyone I've spoken to in the industry has said it's never been this bad ... It's been five years of flying by the seat of our pants

Mark Jensen, pictured with wife Pauline Nguyen at Red Lantern

# Use it or lose it

The hospitality industry is crying out for local support as businesses continue to buckle under unprecedented pressure. Angela Saurine reports



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Restaurant and Catering Australia boss Suresh Manickam, pictured at The Moody Chef in St Leonards, says everyone is feeling the financial pinch.

Pictures: John Appleyard

**M**ark Jensen has seen plenty of highs and lows during more than two decades running Darlinghurst restaurant Red Lantern. But, he says, things have never been as challenging as they are now. The impact of 13 interest rate rises on discretionary spending, the soaring price of produce and rent increases have put unprecedented pressure on hospitality businesses – and not even the most popular or acclaimed venues are immune.

“Everyone I’ve spoken to in the industry has said it’s never been this bad,” Jensen says. “The number of customers fluctuates, and people are spending less per person when they come through. Prior to the pandemic the business had a fair amount of consistency, but it’s been five years of flying by the seat of our pants. There are a lot of people closing their doors.”

Jensen co-founded the award-winning Vietnamese eatery with his wife, Pauline Nguyen, and her brother, Luke Nguyen, in 2002.

He says while large conglomerates can batten down and shave expenses, the family-run businesses competing against them struggle.

“It’s not a business you go into to make a lot of money,” Jensen says. “People take it on as a lifestyle or they’re fooled into it when they’re

told they’re a good cook at a dinner party. The problem is, people see salmon on a plate for 38 bucks – they don’t see all the hidden expenses that family-owned businesses need to do to be relevant in the space.”

The team recently took the bold step of posting an appeal on Instagram for customers to visit.

“Something had to be done,” Jensen says. “We just wanted to remind people that we’re here. Sydney is very much about the latest trend. They’re a nomadic grazing herd and as a restaurant that’s been around for 23 years, we’re not the latest kids on the block.”

“I’m pushing forward as best I can, but I don’t have an infinite amount of money to float the restaurant indefinitely. It’s like any business – unless you use it, you’re going to lose it.”

Recent closures have included Tetsuya’s in the CBD, Kylie Kwong’s eateries Billy Kwong and Lucky Kwong, Josh Niland’s Charcoal Fish at Rose Bay and Fish Butchery in Paddington, Raja in Potts Point and Japanese bar and restaurant ESC in Chatswood.

Jensen says it comes to a point where restaurateurs need to take their emotions out of it, weigh up their options rationally and decide it’s no longer a viable business.

“You obviously invest a lot of blood, sweat and tears into these ventures,” he says. “Every time I

see a place close, I see the toll it takes on families, relationships and finances. Many people have mortgaged their home to open their dream. You see a padlock on a door, but the tragedy is all that lies behind it.”

Business NSW figures show 68 per cent of accommodation and food service providers are seeing reduced customer demand for their products and services, with 49 per cent reducing their staff or headcount and 35 per cent considering closing their doors.

Fern Coops, co-owner and operator of The Coop in Bronte, is among those feeling the pinch.

“I feel like people are trying to pull back on any kind of expense and the first thing that goes is coffee,” she says. “I’ve only increased our prices once in more than three years and I think it’s getting to the point of having to increase again, but there’s a risk that people won’t come in because of that increase, which for me is the difference between keeping the business going or not. I’m not trying to be greedy. I can’t control this and I’m trying my best as a small-business owner to remain open.”

Coops trialled opening nights to try to help grow the cafe’s bottom line and take the pressure off. That stopped when winter hit, but she plans to try again in November.

Turn to page 9



21 AUG, 2024

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From page 7

"We were already paying rent and we wanted to keep staff on board," she says. "We will try to have a consistent flow from lunch-time to dinnertime service. We'd be looking to target people on the way home from the beach with small bites and snacks.

"At the moment people are looking at sharing a few things and sharing one meal, which is pretty difficult for us to turn over financially, but it's better than nothing.

**“**  
**Unless diners are ready to pay higher menu prices to support the rapid increases in costs many more restaurants could go to the wall**

**Wes Lambert,**  
 Australian  
 Restaurant &  
 Cafe Association



"People are still interested in buying alcohol and hanging out with their mates but they're pulling back on the food element and thinking 'maybe we can have this at home'. It just means the spend for that table goes down."

Suresh Manickam, chief executive of St Leonards-based Restaurant and Catering Australia, says the increases in food and energy costs have been astronomical.

"It's really tough," he says. "Everybody is in a bit of a financial squeeze.

"There are a number of economic headwinds that are working against the sector. A lot of these people lease their premises and rents have gone up. When you add all these together, the economic landscape is really challenging.

"Unfortunately, many restaurants are closing because the times are unprecedented. We're encour-

aging as many people as possible to get out there and support local businesses, which are part of the fabric of the community."

Manickam fears changes to casual employment laws being introduced on August 26 will make things even harder.

"The federal government wants to close a loophole and convert casual employees to full-time, but that's just not possible because of the nature of hospitality," he says.

More than 1000 external administrations were registered in the financial year to March 25, according to the Australian Securities and Investments Commission, while a report from financial service analysts CreditorWatch forecasts as many as one in 13 hospitality businesses could close over the next year.

Australian Restaurant & Cafe Association chief executive Wes Lambert warns if we don't start to see interest rate cuts soon the rate of closures will accelerate.

"It's very sad that the industry is in this position," he says. "It's an extremely difficult business at the moment. Many Australians are working as hard as they can and post-Covid they have maximised efficiencies as much as they can. Now unless diners are ready to pay higher menu prices to support the rapid increases in costs many more restaurants could go to the wall."

The organisation, which is based in North Sydney, was established this year to bring leading restaurants and cafes together to provide a stronger voice for the industry and call for greater support from those in power. Lambert believes the NSW government should step in and reintroduce Dine and Discover vouchers – an initiative introduced during the Covid-19 pandemic to encourage people to get out and about. He is also calling for payroll tax abatement for the hardest hit industries.

"Otherwise, it's very likely that many beloved cafes and restaurants could close before interest rates go down," he says.

Failing the official measures being introduced, Jensen offers another solution: "If you have a favourite restaurant and want it to survive, make sure you visit it as frequently as possible."



**Fern Coops,**  
 co-owner and  
 operator of **The  
 Coop** in Bronte,  
 plans to open  
 nights from  
 November in a  
 bid to attract  
 more business.  
 Picture: John  
 Appleyard