Townsville Bulletin

Energy prices, labour costs putting squeeze on SA's cafes and restaurants

Industry leaders say SA's cafe and restaurant scene could be on the edge of collapse, revealing the two soaring expenses doing the most damage.

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Hospitality industry leaders say soaring energy prices are crippling local businesses, with one restaurateur revealing she would need to charge $8 to turn a profit on a small coffee.

On Tuesday, owner-operator Michelle Lowe announced that Cheffy Chelby's at Morphett Vale and Hallett Cove would close their doors this weekend, more than a year after she was forced to pull the pin on her flagship Port Noarlunga eatery.

Ms Lowe said customers simply weren't spending as much money as in the past – and the figures no longer added up, with increased food and running costs taking their toll on small businesses.

Would you pay $8 for a small coffee?

Yes

No

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"We tried not to (pass on costs) … most recently we looked over what a small cup of coffee should be costing and Adelaide really should be charging about $8 for a small coffee," she said.

Restaurant and Catering Australia CEO Suresh Manickam said the industry was now teetering on the precipice of collapse, with the cost of electricity and labour putting the biggest squeeze on hospitality venues.

"If you look at almost every single input that cafes and restaurants have, cost of produce has gone up, cost of labour has gone up, cost of energy has just skyrocketed," he said.

"Particularly, whether it's cooking, entertainment or refrigeration, this sector is a very heavy user of energy."

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Michelle Lowe has been forced to close the doors of her beloved restaurant Cheffy Chelby’s two remaining locations. Picture: Tom Huntley


Restaurant and Catering Association CEO Suresh Manickam says soaring energy costs are one of the key factors crippling the hospitality industry. Picture: Supplied

Mr Manickam said inflation had also forced changes in consumer behaviour, with customers dining out less often or only having a glass or two of wine as opposed to the full bottle.

He urged customers to understand that restaurants forced to raise their prices under the current climate were not "profiteering", but making ends meet.

"It is the case that a sector will have no choice but to pass on those costs … but we'd like to assure the dining public that when they pass on those costs, all they're doing is recouping," Mr Manickam said.

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In the eight months to February 2024, ASIC figures revealed 55 hospitality businesses had shut up shop in SA – an increase of 34 per cent on the year prior.

Industry leaders are appealing for the federal government to increase energy bill relief for hospitality businesses ahead of the 2024 budget being handed down on May 14, or face an even greater tsunami of business closures.

Mr Manickam said greater investment in apprentices and trainees was also needed to increase labour stock in the sector.

"I think that the government needs to show some leadership here and leadership by way of those two economic levers, because if they don't, it will just make it harder and harder and harder for an already struggling sector," he said.