



Restaurant
& Catering

Federal Budget 2017-18

Submission to the Australian Government

JANUARY 2017

RESTAURANT & CATERING AUSTRALIA

Restaurant & Catering Australia (R&CA) is the national industry association representing the interests of 35,000 restaurants, cafes and catering businesses across Australia. R&CA delivers tangible outcomes to small businesses within the hospitality industry by influencing the policy decisions and regulations that impact the sector's operating environment.

R&CA is committed to ensuring the industry is recognised as one of excellence, professionalism, profitability and sustainability. 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 restaurant experience to the public.



Restaurant
& Catering

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EXECUTIVE SUMMARY

Australia's visitor economy is a \$113 billion industry, employing close to one million people and supporting 267,000 businesses across metropolitan and regional Australia. The restaurant, café, and catering sector is the largest contributor to the visitor economy; employing 566,800 people across 40,800 businesses. These businesses are small businesses; with 92 per cent of these organisations employing 19 people or less.

In a fiscally constrained environment, government funding and policy settings must support high performing industry sectors that improve the productivity and employment prospects of the Australian economy. Tourism has been identified as one of Australia's five super growth industries – second only to gas – with the sector expected to grow more than 10 per cent faster than global gross domestic product. Further, the employment growth in the hospitality industry is expected to be higher than any other sector; growing at 12.0 per cent or 98,800 jobs.

Demand for skilled labour and the sector's ability to address current and expected shortfalls in staff is one of the biggest challenges effecting the productivity and competitiveness of Australia's tourism industry. Ensuring policy settings address this imbalance will be imperative in the 2017-18 Budget.

As the peak industry association representing the largest employer in the visitor economy, Restaurant & Catering Australia (R&CA) advocates for measures that improve the employment capacity and productivity of small hospitality businesses across Australia. Examining the treatment of superannuation for working holiday makers and the superannuation guarantee threshold will significantly reduce red tape and administrative burden for operators. Re-examining funding assistance for hospitality diplomas under the VET Student Loan scheme will also be necessary to encourage the next generation of hospitality professionals to join the workforce.

Finally, funding for Tourism Australia and its global youth campaign must be maintained to restore Australia's reputation as an ideal place to travel and work. The industry remains concerned increases in the Passenger Movement Charge (PMC) and tax rates for working holiday makers will negatively impact Australia's competitiveness and reputation as a tourist destination. The government must honour its commitment to freeze the PMC and review the tax within the first half of 2017-18.

RECOMMENDATIONS

TREASURY
PASSENGER MOVEMENT CHARGE
<ul style="list-style-type: none">▪ Maintain commitment to freeze the Passenger Movement Charge (PMC) and commit to review the tax within the first half of 2017-18.
SUPERANNUNATION
<ul style="list-style-type: none">▪ All tax and uncollected superannuation contributions made for working holiday makers should be contributed to an education training fund for Australian workers.▪ Raise the Superannuation Guarantee Threshold to \$600 per month (\$1800 per quarter) and index to CPI.
FRINGE BENEFIT TAX
<ul style="list-style-type: none">▪ Small businesses with an annual turnover less than \$2 million should be exempt from paying FBT entirely under the Small Business Entity concessions.
FOREIGN AFFAIRS & TRADE
TOURISM AUSTRALIA
<ul style="list-style-type: none">▪ Maintain funding for Tourism Australia and major food events including Margaret River Gourmet Escape to promote Australian food and wine experiences to international and domestic visitors.▪ Maintain funding commitments for the global youth campaign in the short term and commit to future funding in the forward estimates.
EMPLOYMENT
REGISTERED ORGANISATIONS
<ul style="list-style-type: none">▪ Adequately fund education programs for registered organisations on their new legislative obligations to ensure compliance and greater accountability.
EMPLOYMENT PROGRAMS
<ul style="list-style-type: none">▪ Maintain funding for the Youth Jobs PaTH as outlined in the 2017-18 budget.
IMMIGRATION
VISA FEES AND CHARGES
<ul style="list-style-type: none">▪ Freeze visa fees for temporary skilled visas and honour commitment to reduce the Working Holiday Maker visa fee from \$440 to \$390 as part of the Working Holiday Maker Reform Package.
OUTREACH OFFICERS & INDUSTRY TRAINING FUND
<ul style="list-style-type: none">▪ Reinstate the Outreach Officer Program in the 2017-18 budget.▪ Maintain the existing structure of Industry Training Fund contributions and work with industry-based RTOs to appropriately fund skill sets required by the sector.

INDUSTRY, INNOVATION & SCIENCE

NORTHERN AUSTRALIA

- Continue to fund initiatives that encourage greater hospitality employment in Northern Australia as outlined in the Northern Australia White Paper.

EDUCATION & TRAINING

VET STUDENT LOAN SCHEME

- Reinstate the Diploma and Advanced Diploma of Hospitality on the approved course list at band \$10,000 or \$15,000 as part of the VET Student Loan scheme.

TAX DEDUCTIONS FOR TRAINING

- Grant employers a 120% tax deduction for expenditure on training and development.

HEALTH

FOOD SAFETY INITIATIVES

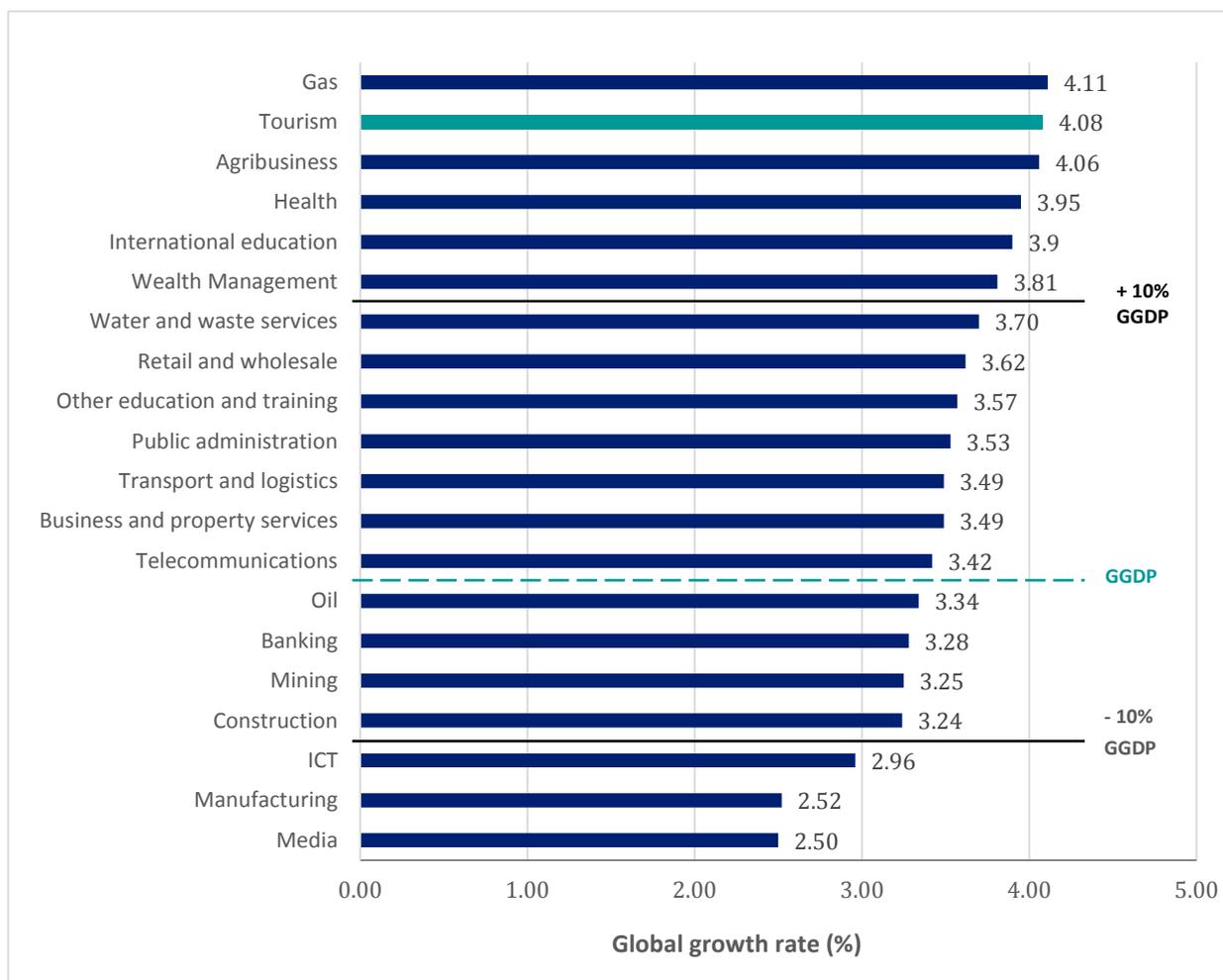
- Resource a best-practice food safety management campaign including mandatory training for food handlers nation-wide.

THE VALUE OF AUSTRALIA'S VISITOR ECONOMY

Deloitte's *Positioning for Prosperity? Catching the next wave* report identifies tourism as one of Australia's five super growth industries, with the sector expected to grow more than 10 per cent faster than global gross domestic product (See Figure 1). Australia's top five super growth industries including tourism have the potential to deliver an additional \$250 billion to the national economy over the next 20 years if these growth projections are realised¹.

The café, restaurant and catering sector is the largest contributor to Australia's tourism industry; employing 566,800 Australians across 40,800 businesses. The sector generates \$24.8 billion in turnover, of which \$5.4 billion is attributed to tourism GVA and \$18.8 billion to national Gross Value Added (GVA). Ensuring this sector continues to prosper is essential for the growth of the broader economy.

Figure 1: Projected annual global industry output growth, 2013-33

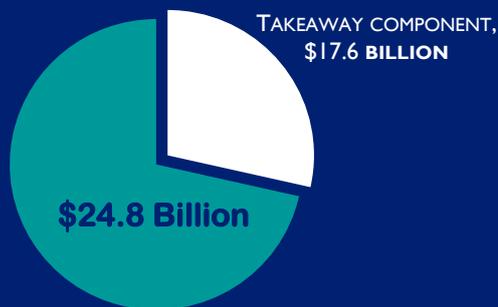


Source: Deloitte Access Economics

¹ Deloitte (2013) *Positioning for Prosperity? Catching the next wave*

Industry Snapshot: café, restaurant & catering sector

THE SECTOR CONTRIBUTES
\$24.8 BILLION TO THE
NATIONAL ECONOMY



CONTRIBUTES
\$18.9 BILLION TO
NATIONAL GROSS
VALUE ADDED

AND \$5.4 BILLION DIRECTLY
TO THE TOURISM INDUSTRY



THE SECTOR
EMPLOYS 566,800 PEOPLE

WITH THIS NUMBER EXPECTED TO INCREASE TO 651,200 BY 2020



40,857

**CAFÉ, RESTAURANT,
& CATERING BUSINESSES**
IN AUSTRALIA

92% ARE SMALL BUSINESSES



EMPLOYMENT GROWTH
PROJECTED AT 14.9%
OR 84,300 JOBS BY 2020.

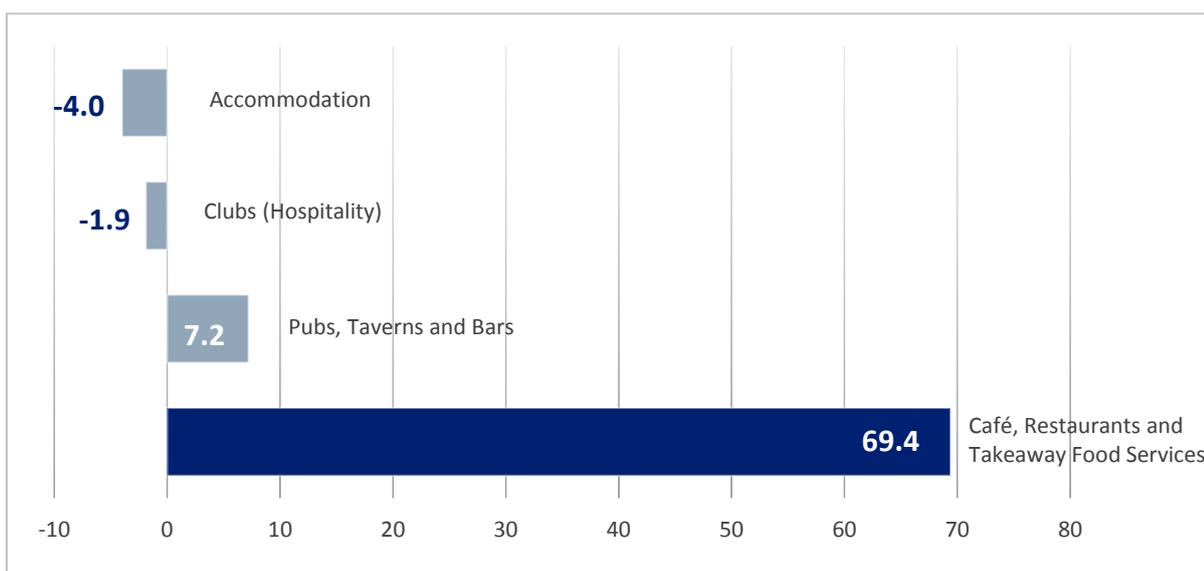
THIS RATE OF GROWTH IS HIGHER
THAN ANY OTHER SECTOR IN THE
AUSTRALIAN ECONOMY

IMPROVING PERFORMANCE THROUGH EMPLOYMENT

The availability of appropriately skilled staff is critical to the growth and productivity of the tourism and hospitality sector. Service Skills Australia's *Tourism, Travel and Hospitality Environmental Scan 2014* highlights that strong domestic demand and a growing tourism base is expected to lead to phenomenal employment growth in the visitor economy over the next five years, particularly in the café, restaurant and takeaway food sector².

Over the five years to August 2013, almost all employment growth in the hospitality industry was led by the café, restaurant and takeaway food services sector, with a growth rate of 15.1 per cent or 69,400 jobs (see Figure 2)³. The growth in the sector was largely driven by higher disposable incomes and an increase in 'time poor' households. Over the same period, other hospitality sectors including accommodation and clubs actually experienced negative growth in employment.

Figure 2: Employment growth over the five years to August 2013, by sector ('000s)



As outlined in the following paragraphs, strong growth coupled with existing and expected demand for tourism and hospitality staff will significantly affect the future performance of the sector. Policy settings and funding initiatives must address this imbalance if the sector is to achieve growth targets.

² Service Skills Australia (2013) *Tourism, Travel and Hospitality Environmental Scan 2014 – DRAFT*, p.21

³ Department of Employment (2013) *Employment Outlook for Accommodation and Food Services*, December 2013

CURRENT SKILL SHORTAGES

In 2015, Deloitte Access Economics released the *Australian Tourism Labour Force Report: 2015-2020*, indicating the tourism and hospitality sector is currently experiencing a shortfall of 38,000 positions, with this number expected to increase to 123,000 by 2020. This report succeeds the *Australian Tourism Labour Force Report 2011* which quantified and identified the major skill and labour shortages within the sector. The 2015 report found there has been a significant increase in the proportion of businesses identifying skills deficiencies, with 69 per cent of businesses reporting skills deficiencies among their staff. This number is significantly higher than the 50 per cent recorded in the 2011 report.

The café and restaurant sector has the highest level of deficiencies in relation to skills, retention and recruitment of staff than any other tourism-related sector (See Table 1). The proportion of restaurant and café businesses identifying recruitment deficiencies is nearly double that of other sectors. The main reason given for recruitment difficulties was the lack of access to workers with the required skills. Further, 81 per cent of restaurant and café businesses identified skills deficiencies in potential staff, 12 percentage points above the national average.

Across the broader tourism industry, the top five occupations by projected skills shortages are café and restaurant managers, automobile drivers, chefs, waiters and kitchenhands, accounting for a shortfall of 15,961 workers, or 52 per cent of the total skilled shortage forecast for 2020. Further, skilled worker demand is expected to be strongest among chefs and café and restaurant managers, reaching 7,603 and 5,365 workers respectively.

Table 1: Recruitment, retention and skill deficiencies across tourism sub-sectors

Metric	Accommodation	Attractions	Restaurants & Cafes	Other
Businesses reported as seasonal	44%	49%	59%	47%
Average # employees	21	22	21	11
Vacancy rate	5%	4%	9%	10%
Turnover rate	51%	42%	88%	61%
% identifying recruitment deficiencies	39%	36%	71%	38%
% identifying retention deficiencies	27%	22%	52%	30%
% identifying skills deficiencies	66%	59%	81%	64%
Top deficiency identified	Capability management	Experience opportunities	Capability misalignment	Experience

PROJECTED DEMAND FOR SKILLED WORKERS

The Department of Employment indicates the accommodation and food services sector has a projected five-year employment growth rate of 12.0 per cent, requiring an additional 98,800 jobs by 2020. The cafe, restaurant and takeaway food subsector is the largest contributor to this demand, requiring an additional 84,300 workers by November 2020⁴. This is a considerable revision from the 8.9 per cent growth rate or 43,900 jobs projected in 2014. In addition, the Department of Employment projections indicate phenomenal employment growth for key hospitality occupations including café and restaurant managers, which has a projected employment growth rate of 21.4 per cent to November 2020 (See Table 2)⁵.

Table 2: Employment growth projections by hospitality occupation

Occupation Code	Occupation	Employment Level – Nov 15 ('000)	Department of Employment Projections		
			Projected employment level – November 2020 ('000)	Projected employment growth – five years to November 2020 ('000)	
				('000)	(%)
1411	Café & Restaurant Manager	73.0	88.7	15.6	21.4
3513	Chef	85.0	104.1	19.2	22.6
3514	Cook	34.3	105.4	11.7	12.5
4311	Bar attendants and Baristas	93.7	93.0	11.0	13.4
4312	Café Workers	31.2	36.3	5.1	16.3
4315	Waiters	120.0	139.0	19.0	15.8

These projections indicate the significant demand that currently exists for key hospitality occupations, as well as the projected shortfalls that are likely to occur in the near future. The ability of the sector to meet growth in employment will require a concerted effort to encourage hospitality employment through industry-specific education and training of local Australians, as well as the effective use of temporary skilled migration to address current labour shortages.

⁴ Department of Employment (2016) *2016 Employment Projections, Industry projections to November 2020*

⁵ Department of Employment (2016) *2016 Employment Projections, Industry projections to November 2020*

BUDGET INITIATIVES

TREASURY

Passenger Movement Charge (PMC)

The *Working Holiday Maker Reform Package*, and the \$5 increase in the Passenger Movement Charge (PMC) to \$60 as a result of the package, affects Australia's price-competitiveness compared to other Asia Pacific destinations. Australia now has one of the highest departure taxes in the OECD, second only to the United Kingdom's Air Passenger Duty (APD).

Expenditure on travel represents discretionary spending and is therefore relatively elastic. As a long-haul tourism destination, the increase in the PMC has the potential to reduce international return trips to Australia by 30,000 a year⁶.

The tourism industry recognises the intended purpose of the PMC to fund border security efforts, however it has long been acknowledged the over collection that occurs as a result of the tax.

The justification and transparency around the most recent increases in the PMC and use of funds has been lacking, creating considerable angst among industry. While R&CA has welcomed the 5-year freeze of the PMC, this commitment extends beyond the current political cycle, at which point the sector may again be faced with a change in policy on the PMC.

As Australia's largest services export sector, the tourism industry requires certainty over the PMC. The Government must maintain its commitment to freeze the tax, and commit to a review of the charge within the first half of 2017-18.

Recommendation

- Maintain commitment to freeze the Passenger Movement Charge (PMC) and commit to review the tax within the first half of 2017-18.

⁶ Bingemann, M. (2016) Departure tax hike a 'brake on aviation sector': trade body, The Australian quoting the International Air Transport Association.

Superannuation and Working Holiday Makers

Australia's superannuation system was intended to deliver retirement savings to the economy, reducing the pressure on Australia's welfare system. There are, however, instances of leakage from the current superannuation system, in particular, contributions made for Working Holiday Makers (WHM).

As the tourism and hospitality sector is one of the largest employers of WHM, they bear a disproportionate burden of processing contributions. Despite promoting the collection of superannuation contributions to WHM, very few collections are made. This is either because the amount of the contribution is so small that it is not worth rolling into another fund (due to the cost of administration fees), or they are unable to collect the funds from outside Australia. As a result, employers bear the administrative burden of making contributions with no net benefit delivered to the employee or the economy.

Changes to the tax treatment of superannuation payments for WHMs from 1 July 2017 will further reduce the incentive of WHM to collect superannuation payments prior to departure. R&CA's position remains that any superannuation contributions made for overseas workers should be contributed to an education training fund for Australian workers.

Superannuation Guarantee

The Superannuation Guarantee (SG) threshold was established in 1996 at \$450 per month at a time when the minimum wage was \$9.19 per hour. However, under the *Restaurant Industry Award 2010*, the SG threshold is \$350 per month. Today the minimum wage under this Award is \$17.70 per hour, yet the SG threshold has remained the same. Based on the growth in the minimum wage, the SG threshold should be approximately \$630 per month or \$1890 per quarter. R&CA recommends the SG threshold be raised to \$1800 per quarter and that it be indexed to CPI.

Recommendation

- All tax and uncollected superannuation contributions made for Working Holiday Makers should be contributed to an education training fund for Australian workers.
- Raise the Superannuation Guarantee Threshold to \$600 per month (\$1800 per quarter) and index to CPI.

Fringe Benefit Tax

R&CA has long advocated for changes to the Fringe Benefits Tax (FBT) system, recognising the compliance cost to small business is proportionately higher than for large corporations. This argument has centred on the inequity that exists in the ability of small businesses to employ strategies to avoid FBT compared to big business (i.e. big business is able to use strategies to avoid FBT, such as boardroom catering).

In a 2007 report on the compliance costs of FBT on small business it was found that *‘while very few small businesses pay fringe benefits tax, some small businesses undertake considerable compliance activities in order to avoid being included in the FBT system’*⁷.

In addition, research conducted by PricewaterhouseCoopers found that *‘the heaviest compliance surtax incurred by business in Australia relates to FBT’* and *‘the mean FBT surtax for the small/medium enterprise sample is 31.2 per cent’*⁸. This means that the cost to small business in complying with FBT is a staggering \$0.31 for every \$1.00 in FBT paid to the Australian Government.

The following table demonstrates the minimal FBT revenue collected from small business:

Table 3: Micro-businesses: Taxpaying profile, 2004-05

Taxpayers and \$ tax liability						
	Income Tax		Goods & Services Tax		Fringe Benefit Tax	
	No. of entities	\$ million	No. of entities	\$ million	No. of entities	\$ million
Individuals	1,532,079	16,034	924,524	1,071	214	1
Partnerships	368,200	0	320,708	14,525	452	2
Trusts	215,431	0	188,550	1,755	3,565	22
Companies	689,915	6,227	573,228	3,607	18,036	122
Total	2,805,625	22,261	2,007,010	7,958	22,267	147

Source: ATO. Based on tax returns processed to 18 May 2007 for entities that have lodged their 2004-05 income tax return. Data is rounded to nearest \$ million. The GST turnover threshold was \$50,000 in 2004-05.

The hospitality sector is further affected by the FBT system due to the treatment of restaurant meals as employee fringe benefits, as opposed to a legitimate form of doing business. R&CA in its

⁷ Commonwealth Government of Australia (2007) *Scoping study of small business tax compliance costs - A report to the Treasurer*, Dec 2007

⁸ PriceWaterhouse Coopers (2009) *Small and Medium Enterprises Total Tax Contribution Report*, December 2009, p.8

submission to the Henry Tax Review as well as the 2007 Treasury study on small business tax compliance costs highlighted that there are 39 different ways to classify a business meal for taxation purposes.

In a report prepared by Access Economics, it was found that FBT on business meals is overly complex and distorts market decisions. FBT on business meals over taxes 87 per cent of the Australian population, with 23 per cent of revenue collected being expended on compliance⁹.

Further, concerns have also arisen in the sector over the implications of the \$5,000 cap on salary sacrificed meal entertainment and facility leasing expenses announced in the 2015-16 Federal Budget.

On the basis of the compliance cost and lack of access to strategies to minimise the burden of FBT, R&CA argues that small businesses should be exempt entirely from FBT under the *Small Business Entity* concessions. Small businesses with a turnover of less than \$2 million currently receive concessions on FBT for car parking; R&CA contend these concessions should be extended to include all FBT.

Recommendation

- Small businesses with an annual turnover less than \$2 million should be exempt from paying FBT entirely under the *Small Business Entity* concessions.

⁹ R&CA (2001) *The Case for, and Economic effects of, Part-recognition of business entertainment as legitimate business inputs or expenses for taxation purposes* prepared by Access Economics.

FOREIGN AFFAIRS & TRADE

Tourism Australia

The industry fully supports Tourism Australia as Australia's tourism marketing agency, dedicated to increasing international visitation from Australia's major source markets. As Australia's largest services export, the efforts of Tourism Australia are critical in driving interest and visitation to Australia as a travel destination.

Maintained funding for Tourism Australia allows the agency to build on campaigns already in market, providing the private sector with greater confidence to invest in cooperative partnerships developed by this organisation. Tourism Australia's *Restaurant Australia* campaign has delivered significant benefits to the hospitality industry, with a 12.6 per cent increase in food and wine spend by international visitors (\$4.7 billion in total expenditure), as well as a 22 per cent increase in the consideration of Australia as a holiday destination with great food, wine and local cuisine¹⁰. The reach of this initiative could not be achieved by small tourism businesses alone, given the market failure that exists in tourism promotion.

In addition, major food events such as Margaret River Gourmet Escape, Melbourne Food & Wine Festival (MFWF) and World's 50 Best Restaurants are critical in raising Australia's profile as a premier food and wine destination. Margaret River Gourmet Escape alone generates more than 30,000 room nights in the region and contributes more than \$8.8 million in direct economic impact¹¹. Further, MFWF contributes in excess of \$24 million to Gross State Product (GSP), with \$6 million in value added being generated in regional Victoria¹².

Initiatives such as *Restaurant Australia* and major food and wine events raise the profile of the sector with international and domestic visitors, encouraging greater patronage of Australia's restaurants while travelling in Australia. Industry strongly encourages the Australia Government to maintain funding for Tourism Australia and the *Restaurant Australia* campaign, including associated food and wine events over the 2017-18 period.

¹⁰ Tourism Australia (2015) Restaurant Australia Results

¹¹ Government of Western Australia (2015) *Media Release: Godfather of food launches WA flavour festival*, 18 November 2015, 10.15 AM

¹² Webcentral, *Melbourne Food and Wine Festival*, http://lantern2.webcentral.com.au/asset/1/upload/Festival_&_Winter_Information.pdf

Youth campaign

Working Holiday Makers (WHM) make a valuable contribution to the visitor economy and Australian workforce. WHM on average spend \$13,200 while in Australia, contributing \$3.3 billion to the economy¹³. The industry remains concerned that the considerable debate and delayed outcome of the *Working Holiday Maker Reform Package* has negatively impacted the perception of Australia as a desirable destination to holiday and work.

A recent survey conducted by workingholidayjobs.com.au found 95 per cent of respondents would be deterred from visiting Australia by the tax, with the YHA indicating a 10 per cent drop in WHM would remove \$350 million from the economy¹⁴.

The Government must maintain its commitment to the \$10 million youth campaign, and investigate the extension of the campaign beyond the current three-year commitment. Such a commitment is necessary to address declining WHM numbers and to combat the confusing and negative perception surrounding the new WHM tax rates.

Recommendation

- Maintain funding for Tourism Australia and major food events including Margaret River Escape to promote Australian food and wine experiences to international and domestic visitors.
- Maintain funding for the global youth campaign in the short term and commit to future funding in the forward estimates.

¹³ Australian Tourism Export Council (2012) *The Importance of the Working Holiday Visa (Subclass 417)*, Position Paper February 2012.

¹⁴ VTIC (2016) Tourism Excellence, Winter 2016 *How bad is the backpacker tax?* As quoted in the submission to the Review of the Working Holiday Maker Visa.

EMPLOYMENT

Registered Organisations

The restaurant and catering industry has one of the highest proportions of small business owners in the country. Approximately 93 per cent of restaurants, cafes and catering companies are small businesses¹⁵. The regulation of the labour market under the *Fair Work Act 2009* and associated employment legislation creates excessive red tape and spiraling labour costs for small and medium sized businesses. Ensuring these organisations understand their obligations under the Fair Work Act is critical in lifting the productivity of the hospitality sector, and a key role of registered organisations.

Given the significant reforms implemented under the *Fair Work (Registered Organisations) Amendment Bill*, R&CA advocates that funding be allocated to effectively educate these entities on their new legislative obligations to ensure compliance and greater accountability to the members in which they serve.

Recommendation

- Adequately fund education programs for registered organisations on their new legislative obligations to ensure compliance and greater accountability.

Youth Jobs PaTH

The tourism and hospitality sector is the largest employer of young Australians, with workers aged 15-24 years representing 44 per cent of the industry workforce, compared to only 16 per cent of overall employment¹⁶. R&CA welcomed the Government's \$840 million *Youth Employment Package* as a way of providing meaningful and targeted training to young Australians seeking to enter the workforce.

Experience from R&CA's Skills Pathway Project suggests industry-led training and apprentice mentoring significantly improves the retention and suitability of candidates seeking to enter their chosen profession, particularly in hospitality.

¹⁵ ABS (2014) *Cat. 81650 Counts of Australian Businesses, including Entries and Exits, Jun 2009 to Jun 2013*.

¹⁶ Department of Employment (2016) *Australian Jobs 2016*

R&CA seeks to ensure that funding for the program, including preparing young Australians for employment through skills training, is maintained.

Recommendation

- Maintain funding for the Youth Jobs PaTH as outlined in the 2017-18 Budget.

IMMIGRATION

Visa application charges

As a long-haul destination, the decision to travel and work in Australia is highly susceptible to changes in fees and charges. The temporary skilled and working holiday maker visa programs have seen significant fee increases over the past decade. For example, the working holiday maker visa fee has more than doubled over the span of a decade, increasing from \$180 in 2005-06 to \$440 in 2015-16. Changes to the temporary skilled (visa subclass 457) fees have also seen a 57 per cent increase to \$1,060 over a three-year period.

The industry remains concerned over the potential impact the fee increases will have on Australia's competitiveness as a travel destination, given recent declines in WHM numbers to the country. In 2015-16 there was a 5.4 per cent decline in WHM visas (subclass 417 and 462) to 214,583, with a 8.1 per cent reduction in first Working Holiday visas and a 12.3 per cent decline in second Working Holiday visas¹⁷. This is significantly lower than the peak of 264,974 WHM visa recorded in 2012-13.

To add further confusion to the issue, it does not appear the Government plans to honour its proposed reduction in the WHM visa fee from \$440 to \$390 as part of the *Working Holiday Maker Reform Package*, with the Mid-Year Economic Financial Outlook 2016-17 indicating the fee of \$440 will be maintained.

Recommendation

- Freeze visa fees for temporary skilled visas and honour the commitment to reduce the WHM visa fee from \$440 to \$390 as part of the Working Holiday Maker Reform Package.

¹⁷ Department of Immigration and Border Protection (2016) *Working Holiday Maker visa programme report*, 30 June 2016

Immigration outreach officers

In 2014-15, the Government announced it would cease the operation of the Outreach Officer Program delivering a budget saving of \$11.2 million. The accommodation and food services sector is the largest user of the temporary skilled migration program, with over 15,240 primary visa holders in Australia as at 30 June 2016¹⁸. Cooks and Café and Restaurant Managers represented the top two nominated occupations for primary visa holders, representing 6,550 and 4,880 positions respectively.

The Outreach Officer Program offered timely and industry-specific advice to restaurant and café operators on their requirements under the 457 visa program, and was extensively used by R&CA members. R&CA receives up to 30 calls and enquiries regarding the 457 program a week, with a majority of the enquiries focusing on employer obligations, how to meet the requirements of the application process, and how to migrate employees to permanent residency (186 and 187 visas). The introduction and availability of the Restaurant Industry (Fine Dining) Labour Agreement has also added an additional layer of complexity for businesses when ascertaining the most appropriate means to employ overseas workers in their business.

The lack of replacement service has meant there is no avenue to access support when lodging their application or accessing the labour agreement, resulting in confusion, time delays and often additional costs when applications are refused. R&CA advocates that the Outreach Officer Program be re-instated in the 2017-18 budget to assist small businesses seeking to use the temporary skilled migration system as a means of addressing chronic labour shortages in their business.

Recommendation

- Re-instate the Outreach Officer Program in the 2017-18 budget.

¹⁸ Department of Immigration & Border Protection (2016) *Subclass 457 quarterly report, quarter ending at 30 June 2016*

Administration of the industry training fund

The Industry Training Fund is an effective mechanism in facilitating the training and upskilling of local Australians as part of the temporary migration program. In 2015, the Australian Government proposed changes to the structure and administration of the fund. These changes included the introduction of a contribution fee on a sliding scale based on the size of the business, as well as plans to allocate funds by an independent panel and to be administered by the Department of Education and Training.

R&CA seeks clarification as to the status of the recommendations, given no further consultation has occurred with industry. R&CA continue to hold grave concerns over the proposal to have government administer funds. R&CA believes this mechanism is more likely to see less money spent on training needed by the sector, and more money spent on bureaucracy to administer the new system. R&CA position remains that rather than instituting a government administered scheme, Government should work with existing industry-based Registered Training Organisations (RTOs) to deliver skills most in demand by the sector.

Recommendation

- Maintain the existing structure of Industry Training Fund contributions and work with industry-based RTOs to appropriately fund skill sets required by the sector.

INDUSTRY, INNOVATION & SCIENCE

Northern Australia White Paper

Skills shortages in regional Australia are more prevalently felt by operators as they generally represent a greater proportion of their workforce. This is due to these regions having a smaller population and existing workforce in which to source workers to address shortfalls in labour¹⁹. Lasseter (NT), Tropical North Queensland (QLD), and Australia's Coral Coast (WA) are such examples (see Table 4).

Table 4: Top 10 tourism regions by accumulated skilled labour shortages, 2015-2020

Regional labour shortages	
Tourism region	Accumulated skilled labour shortage (as a % of current workforce)
Lasseter (NT)	12.6%
Kangaroo Island (SA)	8.5%
Melbourne (VIC)	7.9%
Whitsundays (QLD)	7.7%
East Coast (TAS)	7.6%
Barkly (NT)	7.4%
Snowy Mountains (NSW)	7.3%
Sydney (NSW)	7.2%
Australia's Coral Coast (WA)	7.0%
Tropical North Queensland (QLD)	6.9%

Source: DAE labour force model.

As the above table indicates, half of the top 10 tourism regions expected to experience the most significant labour shortages are based in Northern Australia. R&CA commends the Government on the development of the Northern Australia White Paper, including reforms to assist to development of a reliable workforce in these areas. Reduced visa fees and the expansion of the Seasonal Worker Programme and Working Holiday Maker Programme all provide greater incentive to attract workers to these areas. R&CA seeks to ensure that hospitality and not just tourism businesses benefit from such employment initiatives.

Recommendation

- Continue to fund initiatives that encourage greater hospitality employment in Northern Australia as outlined in the Northern Australia White Paper.

¹⁹ Deloitte Access Economics (2015) *Australian Tourism Labour Force Report: 2015-2020*, October 2015

EDUCATION

VET Student Loan scheme

Education and training is critical to improving Australia's productivity. A report by the Business Council of Australia indicated that an additional year of education may raise the level of productivity between 3 and 6 per cent for a country with Australia's current average education level²⁰.

In addition, research by the Centre for the Economics of Education and Training suggested that between 2006-2016, Australia required an additional 2.5 million people with VET qualifications, 1.7 million of which needed to be qualified at Certificate III level or above, leaving a shortfall of 240,000 people with appropriate VET qualifications to meet employer needs²¹.

In 2015, tourism, travel and hospitality had the third-highest level of program enrolments in training packages at 230,800 enrollments (or 8.5 per cent of total enrollments)²². Similarly, there was a 94.7 per cent increase in the number of VET program enrollments in the food, hospitality and personal services category at the Diploma level or higher (24,070 in 2015 compared to 12,365 in 2014).

On 5 October 2016, Minister for Education and Training Senator the Hon Simon Birmingham announced the commencement of VET Student Loans from 1 January 2017. The amended list of VET approved courses saw the Diploma of Hospitality and Advanced Diploma of Hospitality moved from the \$10,000 and \$15,000 band to the \$5,000 band.

R&CA holds grave concerns this will reduce course enrollments, as the well as the ability of the VET system to produce an appropriate number of skilled staff to meet project demand of an additional 84,300 positions by 2020.

R&CA recognises the Government's desire to minimise its exposure to default loans, which in turn impacts the budget. Given the growth in employment and demand for skilled workers, R&CA would contend the government's exposure is minimised in hospitality given the higher likelihood of graduates joining the workforce, earning income which triggers the earlier repayment of the loan.

²⁰ Business Council of Australia (2007) *Restoring our Edge in Education*, p8

²¹ Business Council of Australia (2007) *Restoring our Edge in Education*, p8

²² National Centre for Vocational Education Research (2016) *Total VET students and courses 2015*, p16.

As one of the fastest growing employment sectors of the economy, the Diploma of Hospitality and Advance Diploma should be re-instated on the approved course list at either band \$10,000 or \$15,000 as a matter of priority.

Recommendation

- Reinstatement of the Diploma and Advanced Diploma of Hospitality on the approved course list at band \$10,000 or \$15,000 as part of the VET Student Loan scheme.

Tax deductions for training

R&CA is cognisant the responsibility of up-skilling the sector is not solely that of government, but rather a significant contribution by employers is required. R&CA advocates that rather than instituting a training levy on employers, offering a tax advantage significantly increases the incentive to invest in staff training and development.

Recommendation

- Grant employers a 120% tax deduction for expenditure on training and development.

HEALTH

Food Safety

All businesses providing food for sale must comply with food hygiene requirements under Standards 3.2.2 Food Safety Practices and General Requirements and 3.2.3 Food Premises and Equipment of the *Australian New Zealand Food Standards Code* (ANZFS). R&CA believes these standards are effective in providing a safe foodservice system in Australia.

R&CA supports risk-based regulation where regulatory resources are targeted to deliver safe food outcomes in areas where they are most required. R&CA contends that risk classification should not be used to apply additional regulation (to standards 3.2.2 and 3.2.3) but should rather be used by enforcement agencies (through local government) to determine where regulatory resources should be focused.

In addition, the role of Food Safety Plans (FSPs) under Standard 3.2.1 in improving food safety is questionable, evident by a range of studies which have found no correlation between the implementation of FSPs and increased food safety outcomes²³. As a result, an additional layer of administrative burden is placed on operators with no additional food safety outcomes delivered in the sector. R&CA believes FSPs should be used as a best practice and/or punitive measure.

There is, however, evidence to suggest that improving food-handling practices through training can increase food safety outcomes²⁴. This being the case, R&CA advocates training for food handlers should be mandatory, similar to the requirements for Responsible Service of Alcohol, in addition to the requirement for trained Food Safety Supervisors.

Recommendation

- Resource a best-practice food safety management campaign including mandatory training for food handlers nation-wide.

²³ Food Standards Australia & New Zealand (FSANZ) *National Food Handling Survey* (2001-2007)

²⁴ Food Regulation Standing Committee (2011) *Food Regulation Policy - Review of the 2003 Ministerial Policy Guideline* Regulation Impact Statement, p. 5

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