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Australian Chamber – Tourism Annual Wage Review Submission 2021-22

April 2022



Australian Chamber
-Tourism

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1 Introduction

As the peak body for business groups operating in tourism, Australian Chamber – Tourism welcomes the opportunity to provide a submission to the Annual Wage Review 2021-22. We represent businesses in international and domestic tourism, as well as all sectors in tourism from business events and hospitality to cruise and transport.

Australian Chamber – Tourism supports the broader submission of ACCI, and in making this submission, we wish to highlight matters specific to the tourism industry.

The tourism sector is vitally important to the national economy. Prior to COVID-19 and the 2019-20 bushfire crises, tourism was a driver of growth for the Australian economy, with domestic and international tourism spend totalling \$122 billion in 2018-19. This had a direct benefit to the regions, with 44 cents of every tourism dollar being spent in regional destinations. In the same year Australia generated \$60.8 billion in direct tourism gross domestic product (GDP), representing a growth of 3.5 per cent over the previous year – faster than the national GDP growth. Tourism was Australia's fourth largest exporting industry, accounting for 8.2 per cent of Australia's exports earnings. Tourism also directly employed 666,000 Australians, making up 5 per cent of Australia's workforce.

However, the success of the tourism sector has been severely impacted for over two years now, since the reporting of the bushfire activity in 2019 and the ongoing COVID-19 pandemic throughout 2020, 2021 and now 2022.

This submission highlights that the impact of the COVID-19 pandemic has not been consistent across all sectors of the economy, and similarly recovery will not be even. The tourism industry has been decimated since the 2019-20 Bushfire crises and COVID-19 pandemic, and there is a lot of ground to be regained. Recovery is not expected to happen quickly, as there is and continues to be a lag in recovery following the reopening of the borders. A high level of uncertainty remains around the Government's approach to the international border should a new variant of COVID emerge.

Many of our members and the wider local tourism markets in which we operate are heavily award reliant and any increases in minimum and award minimum wages will directly flow on into labour costs. The capacity of tourism businesses to meet increased labour costs in the face of continued uncertainty and lack of consumer confidence remains severely limited in 2022/23.

Noting that the Expert Panel of the Fair Work Commission must have regard to a range of factors when making its determination, Australian Chamber – Tourism urges the factors outlined in this submission to be taken into account when considering both the amount of any increase in minimum and award minimum wages as well as the operative date.

2 Summary of position

Australian Chamber – Tourism recommends the Panel apply great caution in determining any increase in minimum and award minimum wages, recognising the multispeed economy and the lag in recovery being faced by the tourism industry, as detailed in this submission.

The factors set out in this submission are relevant both in determining the quantum of any increase, as well as establishing the exceptional circumstances necessary to justify a delay in the operative date of any increase. The Australian Chamber – Tourism submits an operative date of no earlier than 1 November 2022 should apply to awards mapped to Aviation and Tourism, the Accommodation and food services sector, as well as the Arts and recreation services sector as identified and determined in last year's decision.

3 Tourism Industry Employment

The tourism sector incorporates a range of industries, including the accommodation and food services industry and the arts and recreation services, which are highly award-reliant. Overall, award reliance in these sectors is 60.4% and 26.6% respectively, as illustrated by the below graph.¹ Award reliance has increased since 2018, meaning an increase in minimum award wages will directly affect more businesses than it has previously.

Award reliance by industry

| | 2012 | 2014 | 2016* | 2018* | 2021 |
|---|-------------|-------------|-------------|-------------|-------------|
| | (%) | (%) | (%) | (%) | (%) |
| All industries | 16.1 | 18.8 | 22.4 | 22.5 | 23.0 |
| Mining | 0.6 | 0.8 | 0.1 | 0.9 | 1.1 |
| Manufacturing | 11.3 | 15.7 | 17.7 | 20.8 | 19.1 |
| Electricity, gas, water and waste services | 4.3 | 6.9 | 6.5 | 4.1 | 5.8 |
| Construction | 10.6 | 13.7 | 19.7 | 16.6 | 13.4 |
| Wholesale trade | 8.1 | 11.9 | 16.8 | 16.1 | 10.0 |
| Retail trade | 25.6 | 28.5 | 34.5 | 30.1 | 29.6 |
| Accommodation and food services | 44.8 | 42.8 | 42.7 | 44.9 | 60.4 |
| Transport, postal and warehousing | 7.3 | 10.9 | 11.9 | 12.7 | 12.6 |
| Information media and telecommunications | 5.7 | 5.2 | 5.5 | 7.1 | 7.3 |
| Financial and insurance services | 4.7 | 5.0 | 3.6 | 5.2 | 5.1 |
| Rental, hiring and real estate services | 20.9 | 22.1 | 27.2 | 29.4 | 22.1 |
| Professional, scientific and technical services | 6.0 | 9.9 | 9.3 | 8.0 | 5.7 |
| Administrative and support services | 29.0 | 37.3 | 42.0 | 41.3 | 42.4 |
| Public administration and safety | 6.9 | 12.8 | 15.2 | 10.9 | 13.0 |
| Education and training | 6.8 | 5.1 | 8.5 | 10.0 | 7.8 |
| Health care and social assistance | 19.0 | 22.3 | 27.8 | 31.7 | 33.3 |
| Arts and recreation services | 19.7 | 22.0 | 26.2 | 22.5 | 26.6 |
| Other services | 24.6 | 25.1 | 34.3 | 38.1 | 38.1 |

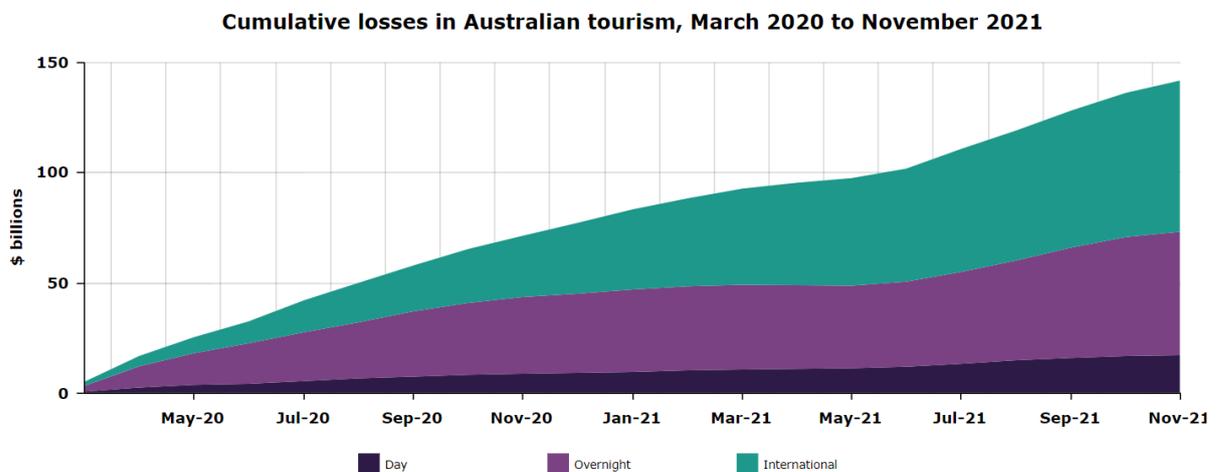
¹ FWC Statistical report – Annual Wage Review 2021 – 22, Version 1, 28 February 2022, citing ABS, 'A Guide to Understanding Employee Earnings and Hours Statistics', Feature Article, in Employee Earnings and Hours, Australia, May 2018; ABS, Employee Earnings and Hours, Australia, various.

According to ABS analysis, tourism jobs peaked at 749,400 in December 2019,² prior to the reporting of the bushfire activity in 2019 negatively impacting Australia’s image, and the ongoing COVID-19 pandemic throughout 2020 and 2021. In the December quarter 2021, tourism jobs are now at their highest level 628,900 since the pandemic started.³ This still represents 16.1% (-120,500) less tourism jobs, compared to 2% (290,400) more jobs in the whole economy as at the end of the December 2021 quarter.

4 Tourism Industry Business Conditions

4.1 State of the Tourism Industry

The success of the tourism sector has been severely impacted for over two years now, since the reporting of the bushfire activity in 2019 negatively impacted Australia’s image, and the ongoing COVID-19 pandemic throughout 2020 and 2021. Australia lost almost \$80 billion in tourism revenue in 2020.⁴ By November 2021, total expenditure losses since March 2020 were estimated to be at \$142 billion, as illustrated by the below graph.⁵



Source: Tourism Research Australia, [National Visitor Survey monthly snapshot](#), November 2021

International travel was heavily impacted, and the unpredictability of State and Territory government decisions on borders made it difficult for many tourism businesses to successfully pivot to domestic travel. It is not possible to replace all of the \$63 billion spent by international tourists with domestic spend as the spending and travel patterns differ significantly. Domestic tourism also suffered during the pandemic, with losses to the domestic tourism market totalling \$73 billion from March 2020 to November 2021.⁶

² ABS, [Tourism Satellite Accounts: quarterly tourism labour statistics](#), Australia, experimental estimates, released 18 March 2022.

³ ABS, [Tourism Satellite Accounts: quarterly tourism labour statistics](#), Australia, experimental estimates, released 18 March 2022.

⁴ Deloitte Access Economics, [The Value of Tourism](#), June 2021.

⁵ Tourism Research Australia, [National Visitor Survey monthly snapshot](#), November 2021.

⁶ Tourism Research Australia, [National Visitor Survey monthly snapshot](#), November 2021.

Although restrictions gradually started to ease in line with the National Plan, this took its toll and the recovery still has a long way to go. The Omicron outbreak at the beginning of 2022, despite no state lockdowns, has resulted in a 'shadow' lockdown, as people self-isolated, opted to work from home and limit other activities to reduce their risk of infection.⁷ In addition, many tourism businesses, particularly those which overwhelmingly relied on international tourism, struggled to survive while the international border remained closed to tourists. While international borders are now 'officially' open, it will take some time for visitor numbers to return to levels prior to the pandemic, as detailed in Section 4.2, below.

The cruise ban is also currently still in place, with the extension of the human biosecurity emergency period under the Biosecurity Act 2015 restricting the entry of cruise ships into Australian territory and entry at Australian ports until 17 April 2022. The cruise ban impacts not only the cruise operators but those who depend on cruise tourism such as businesses in regional and remote communities in the accommodation, hospitality and retail sectors. The cruise sector itself supports more than 18,000 jobs.

Many businesses in the tourism industry are already struggling to remain viable. These businesses are finding that due to the conditions over the last two years, business resilience to future shocks is at an all-time low. It is important that the Panel consider the impact of a potential wage increase in addition to the slow recovery and other factors likely to slow recovery during 2022/23 in its decision. This is particularly relevant given the large reliance on award wages in the sector.

4.2 Tourism Industry Recovery & Future Outlook

As highlighted in ACCI's broader submission, economic recovery from the pandemic is not consistent across all sectors of the economy. Tourism in particular is facing a slower, longer and even less certain road to rebuild and recovery.

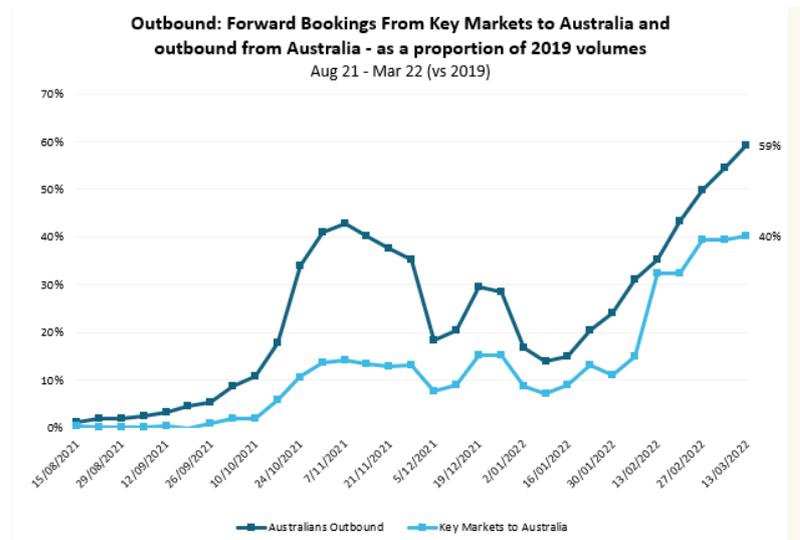
Australia's international borders reopened on 21 February 2022 after being closed for 704 days. While this was certainly a welcome move and one which will have a positive impact on businesses in the tourism sector, there is a lag at the reopening period due to the delay in the ability to attract customers and revenue. For example, given the significant lead time required for sectors such as business events and cruise to re-establish their operations, many businesses are facing the challenge of surviving without functional revenue. Restarting the cruise industry for example takes months of planning with staffing, catering and ship storage all needing to be considered now a firm restart date has been set.

This is magnified as any deposits received for future activity must be securely held until services are delivered. This means these businesses may continue to run at a loss for another six months or more.

Data relating to forward bookings from key markets highlights the lag in recovery, which indicates that outbound demand is outstripping inbound and both are still well below pre-pandemic levels.

⁷ See The Australian, [Google data shows shoppers and workers avoiding Australian CBDs as Omicron sweeps the country](#), 14 January 2022.

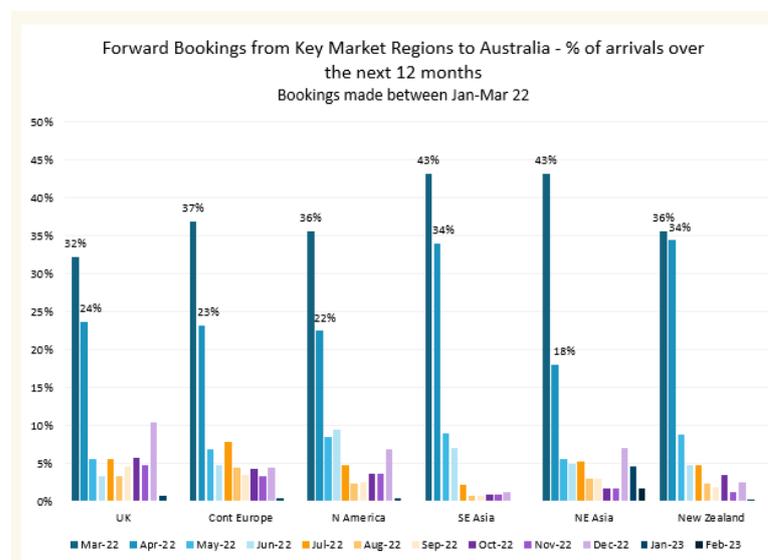
There is a net outflux of visitors, and forward bookings from key markets to Australia is lagging both compared with outbound travel, as well as in comparison to 2019 volumes, as demonstrated by the below graph.



Source: ForwardKeys, Ticket Issued Dates, March 2022

The data indicates international bookings to Australia are for the very short term, with 71% of bookings made between January and March 2022 to arrive in Australia in the next three months. The stated purpose is largely to visit friends and relatives, which tend to be low yield.

Even where forward bookings are taken now, businesses (e.g. travel agents and tour operators) do not get the income brought to account until travel actually takes place. As demonstrated by the below graph, this will not likely occur until the third quarter of 2022, with forward bookings also indicating a decrease in arrivals following an initial surge.



Source: ForwardKeys, On the Book, bookings made between January – March 2022

Forecasts

There is no doubt consumer confidence to travel is increasing, and recovery has begun. However, forecasts indicate that there is a long way to go, and the tourism industry as a whole will not return to its pre-pandemic levels during the period of this Annual Wage Review.

Deloitte Access Economics has predicted that the recovery of international tourism is going to be slower than expected, finding in December that “while arrivals are forecast to reach around 6.6 million by the end of 2022, 76% per cent of 2019 levels, this early recovery stimulated by pent up demand is expected to moderate after 2022, and only return to 2019 levels in 2025.”⁸ In February 2022 it was reported that Deloitte will likely revise downwards its outlook in its next release, with expectations that “this year we’ll only see the return to 30 to 55 per cent of 2019 levels for international tourists, given we need to do a lot of work rebuilding the global travel and tourism network.”⁹

Recovery is impacted by a range of factors, including the unavailability of key markets to travel to Australia due to restrictions in their own country (e.g. China). This is a significant factor, with Chinese tourists accounting for almost a third of all travellers to Australia before the pandemic, spending \$12.2 billion in 2019 – more than one quarter of the entire international tourism spend.¹⁰

In terms of domestic tourism, Tourism Research Australia predicts that the domestic visitor economy of each of the states and territories is forecast to return to its pre-pandemic level by the end of 2023-24.¹¹ However, it notes there are a number of risks that may affect its forecast, including for example future major, uncontained outbreaks that drastically reduce the desire or ability to travel.¹²

In relation to corporate travel, with virtual meeting technologies, cost savings and organisations’ growing consciousness around sustainability, it has been predicted that corporate travel will likely face a slower return than leisure travel.¹³

In relation to the accommodation sector, it is predicted that recovery will vary across the city markets. According to Deloitte Access Economics:¹⁴

Brisbane, Perth, Gold Coast, Canberra and Darwin are expected to see occupancy rates return to 2019 levels by 2023. Sydney and Melbourne will take a little longer due to their high pre-pandemic occupancy rates, their greater dependence on demand from international tourists and corporate travellers, and significant new supply coming on line.

⁸ Deloitte, Tourism and Hotel Market Outlook 2021 - Edition 2, December 2021.

⁹ AFR, Slow recovery predicted for international tourism, 9 February 2022.

¹⁰ See Mark Saunokonoko and Tara Blancato, ‘No tourists from China leaves \$12b black hole in crippled Aussie tourism sector’, 21 February 2022, and Tourism Research Australia, International Visitor Survey results September 2021, 2021.

¹¹ Tourism Research Australia, ‘Domestic tourism forecasts 2021-22 to 2025-26’, December 2021.

¹² Tourism Research Australia, ‘Domestic tourism forecasts 2021-22 to 2025-26’, December 2021.

¹³ Deloitte, Tourism and Hotel Market Outlook 2021 - Edition 2, December 2021.

¹⁴ Deloitte, Tourism and Hotel Market Outlook 2021 - Edition 2, December 2021.

Future risks and uncertainty

While a recovery is underway and the overall outlook is more positive than it was last year, a high level of uncertainty remains, with the recovery reliant on a range of factors, including local and economic developments as well as the ongoing unpredictability in relation to COVID-19.

The Omicron variant has demonstrated the extreme unpredictability that businesses who are reliant on inbound visitors have faced in almost two years since the borders were closed, and could face again should another variant emerge globally. The Federal Government has not guaranteed that Australian borders will stay open should another variant emerge.¹⁵

Even localised outbreaks could have an impact on confidence to travel, as demonstrated by consumer actions during the December/January Omicron outbreak. With exponential growth of COVID-19 cases in the community from late December and January, many consumers chose to cancel or postpone their travel plans despite mostly open borders. Tourism Research Australia reported that in late January 2022, consumers' intention to travel domestically reduced 10 percentage points compared with December 2021, with concerns about contracting COVID-19 increasingly a key driver for the decline.¹⁶ With the BA.2 sub-variant of the Omicron coronavirus strain, talks of "Flurona" (being infected with COVID-19 and the flu simultaneously) and other Covid variants a real potential, these factors must be taken into account when considering the likely speed and strength of recovery for the tourism industry.

5 Commencement date

The Fair Work Act provides that variations to a NMW order and modern award minimum wages arising from a Review are to operate from 1 July in the financial year following the Review, unless exception circumstances apply. Section 286(2) provides that if the Commission 'is satisfied that there are exceptional circumstances justifying why a variation determination should not come into operation until a later day' the Commission may specify that later day as the day on which the variation determination comes into operation.

In last year's decision, the Expert Panel was satisfied that there were exceptional circumstances justifying the variation determinations in respect of the Accommodation and food services sector (with the exception of the Fast Food Industry Award 2010) and the Aviation and Tourism Awards coming into operation on 1 November 2021. Exceptional circumstances were also found in relation to the majority of awards mapped to the Arts and recreation services sector, with these also commencing operation on 1 November 2021.

Australian Chamber – Tourism submits that circumstances exist that again warrant the deferral of any variation determination arising from this Review for these awards, and that a delay until no earlier than 1 November 2022 is justified.

¹⁵ See, for example, The Guardian, '[Morrison government eyes border reopening as Australia records 45 Covid deaths](#)', 6 February 2022.

¹⁶ See ACCC, '[Airline competition in Australia](#)', 2022, p. 5, citing Tourism Research Australia, '[Travel Sentiment Tracking Australia, Fieldwork 19 – 25 January 2022](#)', accessed 15 February 2022.

In relation to matters relevant to the assessment of exceptional circumstances, the Panel identified that the categorisation of industry sectors into ‘fully recovered’, ‘almost recovered’ and ‘lagging recovery’ as identified by Professor Borland¹⁷, and the data relied on in that report were relevant. In addition, the Panel identified three further matters also relevant to their assessment of exceptional circumstances:¹⁸

1. Relevant industry specific data.
2. The period of time between successive Review increases.
3. The likelihood that future lockdowns will be of limited duration and localised; comprising of stay-at-home orders localised to particular regions with limited reasons for people to leave their home.

While a similar report to that issued by Professor Borland has not been produced this year, Australian Chamber – Tourism will address relevant matters previously covered by the report as well as the additional matters identified above.

In identifying industries that are “lagging recovery”, Professor Borland took the following approach:¹⁹

Lagging recovery: Industries where the number of jobs and economic activity has not fully recovered or has progressively decreased to now be below the level prior to the onset of COVID-19 by a significant amount (in the case of jobs, 5 to 10 per cent below the level prior to COVID-19).

As identified above under Section 3 – Tourism Industry Employment, while tourism jobs were increasing in December 2021, they remain 120,500 (16.1%) below pre-COVID levels (December 2019).²⁰

An examination of payroll jobs paints a similar picture, with annual growth in payroll jobs in the year since 13 February 2021 the lowest in Accommodation and food services, down 10.8%.²¹ Payroll jobs in Arts and recreation services were down 0.9% in the same time period.²²

Gross value added (GVA) rose significantly for the Accommodation and food services industry in the December 2021 quarter, as lockdown restrictions wound down.²³ However, compared to the December quarter 2019, GVA was down 11.7%.²⁴ GVA for the Arts and Recreation Services was down 2.8% compared with the pre-pandemic period (December quarter 2019).²⁵

¹⁷ Research report 5/2021 An assessment of the economic effects of COVID-19 – Version 5.

¹⁸ [2021] FWCFB 3500 at [246].

¹⁹ Research report 5/2021 An assessment of the economic effects of COVID-19 – Version 5, p.1.

²⁰ ABS, [Tourism Satellite Accounts: quarterly tourism labour statistics](#), Australia, experimental estimates, released 18 March 2022.

²¹ ABS, [Weekly Payroll Jobs and Wages](#), Australia, week ending 12 February 2022.

²² ABS, [Weekly Payroll Jobs and Wages](#), Australia, week ending 12 February 2022.

²³ ABS, [Australian National Accounts: National Income, Expenditure and Product](#), December 2021, released 2 March 2022.

²⁴ ABS, [Australian National Accounts: National Income, Expenditure and Product](#), December 2021, released 2 March 2022.

²⁵ ABS, [Australian National Accounts: National Income, Expenditure and Product](#), December 2021, released 2 March 2022.

In relation to other relevant matters, we have provided above in *Section 4 – Tourism Industry Business Conditions*, information and data relevant to the current state of the tourism industry as well as the forecasted period of recovery. As set out above, this is expected to lag the recovery of the overall economy, with international tourism expected to return to 2019 levels in 2025,²⁶ and domestic tourism by the end of 2023-24.²⁷

The next factor to be considered is the period of time between successive Review increases. The Panel noted in last year's decision that "the mere fact of a deferred date of operation of an increase in last year's Review is not, in and of itself, an exceptional circumstance such as to warrant a deferral in this year's Review."²⁸ However, the Panel accepted that "period of time between successive increases, together with other data, is relevant to an overall assessment of whether exceptional circumstances exist such as to warrant a delayed operative date."²⁹ In relation to this matter, we note that an operative date of 1 July 2022 will mean businesses covered by the awards identified above will face two minimum wage increases in an 8 month period. This is relevant when viewed with the industry specific data demonstrating the current state of the industry and the lag in recovery.

Turning to the third factor in relation to future lockdowns, it is noted that Australia is now onto Phase D of the National Plan, meaning that Government intends to manage COVID-19 without ongoing restrictions or lockdowns. However, as outlined above in *Section 4.2 – Tourism Industry Recovery & Future Outlook*, the ongoing unpredictability in relation to COVID-19 will play a role in the success of the tourism industry. The Federal Government has not guaranteed that Australian borders will stay open should another variant emerge.³⁰ The "shadow lockdown" effect is also a real possibility.

Australian Chamber – Tourism submits that the combination of factors outlined above gives rise to exceptional circumstances for awards mapped to Aviation and Tourism, the Accommodation and food services sector, as well as the Arts and recreation services sector, as identified and determined in last year's Review. We submit an operative date of no earlier than 1 November 2022 is justified.

²⁶ Deloitte, *Tourism and Hotel Market Outlook 2021 - Edition 2*, December 2021.

²⁷ Tourism Research Australia, *Domestic tourism forecasts 2021-22 to 2025-26*, December 2021.

²⁸ [2021] FWCFB 2500 at [226].

²⁹ [2021] FWCFB 2500 at [226].

³⁰ See, for example, The Guardian, *'Morrison government eyes border reopening as Australia records 45 Covid deaths'*, 6 February 2022.

About Australian Chamber - Tourism

Australian Chamber – Tourism is a part of the Australian Chamber of Commerce and Industry, Australia’s largest business advocacy network. Australian Chamber – Tourism represents one in eight Australian businesses engaged in the visitor economy. It brings together key participants in the tourism sector to advocate better policies, including in the areas of tax, regulation, tourism marketing, research, labour supply, visas and infrastructure.

The Australian Chamber of Commerce and Industry speaks on behalf of Australian business at home and abroad.

We are the largest and most representative business advocacy network in Australia.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, employing over four million Australian workers.

Our membership comprises all state and territory chambers of commerce and leading national industry associations. Individual businesses are also members of the Australian Chamber’s Business Leaders Council.

The Australian Chamber strives to make Australia a great place to do business in order to improve our standard of living and sustain and create jobs.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, industry policy, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or narrow sectional interests.

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STATE AND TERRITORY CHAMBERS



INDUSTRY ASSOCIATIONS

